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BEFORE THE
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD MARKET
DEVELOPMENT COMMITTEE

IN THE MATTER OF THE:)
)
MARKET DEVELOPMENT)
COMMITTEE MEETING)
_____)
 —

DATE AND TIME: THURSDAY, OCTOBER 10, 1996
 9:30 A.M.

PLACE: BOARD HEARING ROOM
 8800 CAL CENTER DRIVE SACRAMENTO,
 CALIFORNIA

REPORTER: BETH C. DRAIN, RPR, CSR
 CERTIFICATE NO. 7152

BRS FILE NO.: 35784

APPEARANCES MR. PAUL RELIS, CHAIRMAN MR.
WESLEY CHESBRO, MEMBER
MR. DANIEL G. PENNINGTON, MEMBER

STAFF PRESENT

MR. RALPH CHANDLER, CHIEF EXECUTIVE OFFICER MS. KATHRYN
TOBIAS, LEGAL COUNSEL

MS. DONNELL DUCLO, COMMITTEE SECRETARY

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1 SACRAMENTO, CALIFORNIA; THURSDAY, OCTOBER 10, 1996

2 9:30 A.M.

3

4 CHAIRMAN RELIS: CALL TO ORDER THE
5 MEETING OF THE MARKET DEVELOPMENT COMMITTEE.

6 DONNELL, WOULD YOU CALL THE ROLL, PLEASE.

7 THE SECRETARY: MEMBER CHESBRO.

8 MEMBER CHESBRO: (NO RESPONSE).

9 THE SECRETARY: MEMBER PENNINGTON.

10 MEMBER PENNINGTON: HERE.

11 THE SECRETARY: CHAIRMAN RELIS.

12 CHAIRMAN RELIS: HERE. OKAY. ANY BOARD
13 BUSINESS EX PARTES?

14 MEMBER PENNINGTON: NO, MR. CHAIRMAN, I
15 THINK I'M --

16 CHAIRMAN RELIS: ALL CURRENT ON THAT.
17 THEN I WILL ASK MS. TRGOVCICH TO GIVE THE REPORT
18 FOR TODAY.

19 MS. TRGOVCICH: GOOD MORNING, MR.
20 CHAIRMAN AND MEMBERS. I'D LIKE TO FOCUS ON THREE
21 PRIMARY ISSUES FOR YOU THIS MORNING, JUST TO SPEND
22 A FEW TIME ON EACH.

23 THE FIRST ONE IS THE R-TEAM. AS YOU
24 ARE AWARE, WE'VE BEEN REPORTING TO YOU ON THE
25 STATUS OF THE JOBS THROUGH RECYCLING GRANT. WE

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1 SUBMITTED A FORMAL WORK PLAN TO U.S. EPA ON
2 SEPTEMBER 20TH LAST MONTH, AND WE'RE EXPECTING
3 FINAL APPROVAL SOMETIME LATE OCTOBER. SO WE'VE
4 BEGUN INITIATING THE VARIOUS ASPECTS OF THE
5 PARTNERSHIPS THAT ARE NEEDED IN ORDER TO
6 ADMINISTER THE ACTIVITIES AND TASKS LAID OUT IN
7 THE GRANT AGREEMENT.

8 WE HELD A MEETING WITH THE R-TEAM
9 PARTNERS THIS MONTH. THOSE R-TEAM PARTNERS
10 INCLUDE THE U.S. EPA, THE COMMUNITY ENVIRONMENTAL
11 COUNCIL, THE UNIVERSITY OF CALIFORNIA SANTA CRUZ
12 EXTENSION, THE RMDZ PROGRAM MANAGERS HERE IN TOWN,
13 AND R-TEAM STAFF. THE MEETING WAS HELD IN SANTA
14 CLARA ON OCTOBER 2D, AND IN THAT MEETING WE
15 DEVELOPED BASIC STRATEGIES, TASKS, COMMUNICATIONS,
16 REPORTING PROCEDURES THAT ARE ALL GOING TO BE
17 NECESSARY TO BE ABLE TO ADMINISTER THIS GRANT
18 AGREEMENT.

19 WE ARE FOCUSING ON IN OUR NEXT
20 MEETING THE SELECTION OF PARTNERS OR WITH THE
21 PARTNERS TO SELECT THE THREE RECYCLING MARKET
22 DEVELOPMENT ZONES THAT WILL BE PROVIDED
23 OPPORTUNITIES OF ASSISTANCE WITH RESPECT TO
24 CLOSING MILITARY BASES. THIS IS, AS YOU
25 UNDERSTAND, A KEY ELEMENT OF THE GRANT.

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1 THE CONTRACTS TO IMPLEMENT THE
GRANT

2 ARE AT BOTH OF THE AGENCIES FOR SIGNATURE,
THE

3 PARTNER AGENCIES IN THIS AGREEMENT.

4 THE NEXT THING I'D LIKE TO
FOCUS ON

5 VERY BRIEFLY IS AN UPDATE ON THE MARKET

6 DEVELOPMENT PLAN IMPLEMENTATION STRATEGY. WE
ARE

7 IN THE PROCESS OF FINALIZING THE RESOURCES
AND

8 VARIOUS ACTIVITIES AND TASKS THAT WE WILL BE

9 UNDERTAKING TO ADMINISTER THE PROVISIONS OF
THE

10 PLAN THAT WAS APPROVED AND ADOPTED BY THE
BOARD.

11 WE'RE ALSO IN THE PROCESS OF DEVELOPING
EVALUATION

12 CRITERIA TO BE ABLE TO ASSESS THE IMPACT OF
THESE

13 ACTIVITIES AND EVALUATE THEIR EFFECTIVENESS
OVER

14 TIME.

15 ALSO ON YOUR AGENDA TODAY IS

THE

16 PRIVATE BUY RECYCLED OUTREACH UPDATE. I'D

JUST

17 LIKE TO POINT OUT FOR YOUR INFORMATION THAT

ONE OF

18 THE ITEMS THAT RICK MULLER WILL BE COVERING

IS THE

19 PROGRAMING OR COMPLETION OF PROGRAMING OF THE

20 RECYCLED-CONTENT PRODUCT DATABASE, LISTING

ABOUT

21 10,000 DIFFERENT RECYCLED-CONTENT PRODUCTS.

AND

22 WE ARE NOW MAKING THAT AVAILABLE THROUGH THE

23 INTERNET. SO THAT IS A SIGNIFICANT

24 ACCOMPLISHMENT, AND YOU WILL BE HEARING MORE

ABOUT

25 THAT THIS MORNING.

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1 AND FINALLY IN CLOSING, AS I DO
2 EVERY MONTH, I'D LIKE TO REPORT TO YOU ON THE
3 STATUS OF THE LOAN FUND. AS OF SEPTEMBER 30TH,
4 THAT WAS THE LAST REPORTING DATE, 54 LOANS HAVE
5 BEEN CLOSED IN THE AMOUNT OF \$21.1. ONE
6 ADDITIONAL ACTIVE LOAN, WHICH WAS APPROVED BY THE
7 BOARD BUT WHICH HAS NOT YET BEEN CLOSED, TOTALS
8 \$500,000.

9 THERE'S APPROXIMATELY \$17.4 MILLION
10 REMAINING IN THE LOAN FUND FOR THIS FISCAL YEAR,
11 AND WE HAVE HAD A PRETTY LIVELY FOURTH QUARTER OR
12 THIRD, FOURTH QUARTER ACTIVITY. AND YOU WILL BE
13 SEEING A SIGNIFICANT NUMBER OF LOANS MOVING
14 THROUGH BOTH THE BOARD'S LOAN COMMITTEE AND THEN
15 THE MARKET DEVELOPMENT COMMITTEE IN THE COMING
16 MONTHS.

17 THAT CONCLUDES MY REPORT.

18 CHAIRMAN RELIS: JUST A COMMENT ON THE
19 LATTER. I WANT TO COMMEND OUR STAFF. I ATTENDED
20 LAST WEEK A MEETING IN VENTURA COUNTY AND ONE IN
21 SANTA BARBARA COUNTY WITH PROSPECTIVE LOANEES PUT
22 ON BY CITY COMMERCE BANK. CITY COMMERCE BANK IS
23 BASED IN SANTA BARBARA, BUT WORKS ON A TRI-COUNTY
24 BASIS. AND THEY WERE THE HOST FOR THESE
MEETINGS.

25 I THINK THAT WE'LL PROBABLY SEE

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1 SEVERAL LOANS COME OUT OF THAT. AND IF I COULD
2 ENVISION THAT STATEWIDE, SIMILAR TYPE OF PROGRAM,
3 I THINK WE'LL -- WE WILL CONTINUE TO SEE BUILDUP
4 OF THE LOAN PIPELINE.

5 MS. TRGOVCICH: WE'RE DEFINITELY
6 EXPLORING THOSE OPPORTUNITIES. AND I THINK THAT
7 THE STAFF CAME BACK AND SAID THAT THERE WERE
8 CERTAINLY SOME DEFINITE POSSIBILITIES, ONE OR TWO
9 THAT THEY FELT VERY, VERY GOOD ABOUT COMING OUT OF
10 THOSE MEETINGS.

11 CHAIRMAN RELIS: VERY GOOD. OKAY. THEN
12 LET'S MOVE INTO THE AGENDA.

13 MS. TRGOVCICH: THE FIRST ITEM, AS I
14 ALLUDED TO EARLIER ON YOUR AGENDA TODAY, IS AN
15 UPDATE ON THE IMPLEMENTATION OF THE PRIVATE BUY
16 RECYCLED STRATEGY. RICK IS GOING TO BE PRESENTING
17 THAT ITEM TO YOU.

18 MR. MULLER: THANK YOU, CAREN. GOOD
19 MORNING, MR. CHAIRMAN AND COMMITTEE MEMBERS. I'D
20 LIKE TO PROVIDE A LITTLE BIT OF BACKGROUND ON THE
21 PRIVATE BUY RECYCLED STRATEGY.

22 THE BOARD ADOPTED THE PRIVATE BUY
23 RECYCLED STRATEGY IN JANUARY OF 1995, AND
THE

24 COMMITTEE HEARD THE LAST UPDATE ON THE
25 IMPLEMENTATION OF THE STRATEGY DURING APRIL

OF

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1 1996. THE CORE OF THE STRATEGY IS ALLIANCE
2 FORMATION AND SUPPORTING EXISTING ALLIANCES.
3 PRIOR THE ALLIANCES IDENTIFIED IN THE STRATEGY ARE
4 PAPER, BUILDING AND CONSTRUCTION, MOTION PICTURE
5 AND TELEVISION INDUSTRY, ORGANICS, AND PLASTICS.

6 I WOULD BASICALLY DIVIDE THE WORK
7 THAT STAFF HAVE PERFORMED IN THE PRIVATE BUY
8 RECYCLED AREA INTO TWO BROAD CATEGORIES. THE
9 FIRST IS WORKING DIRECTLY TO PROMOTE THE FORMATION
10 OF ALLIANCES AND SUPPORTING ALLIANCE ACTIVITIES.
11 THE SECOND BROAD CATEGORY IS DEVELOPING OUTREACH
12 MATERIALS WHICH GENERALLY FOSTER THE USE OF
13 RECYCLED-CONTENT PRODUCTS, BUT ALSO HELP TO
14 SUPPORT THE ALLIANCES INDIRECTLY.

15 TO SUPPORT THE STRATEGY, THE BUY
16 RECYCLED PROGRAM HAVE INITIATED A VARIETY OF
17 OUTREACH MATERIALS AND INFORMATION RESOURCES.
18 DURING 1996 AND 1997 STAFF WILL BE DEVELOPING A
19 MARKETING PLAN TO BASICALLY GET THE WORD OUT ABOUT
20 OUR RECYCLED-CONTENT PRODUCT DATABASE AND SOME OF
21 THESE OTHER RESOURCES.

22 ONE WAY WE PLAN TO DO THAT IS TO
23 MAKE PRESENTATIONS TO THE VARIOUS BUILDING AND
24 CONSTRUCTION ORGANIZATIONS, SUCH AS THE SOUTHERN
25 CALIFORNIA BUILDING INDUSTRY -- BUILDING INDUSTRY

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1 ASSOCIATION.

2 BRIEFLY, THE OUTREACH MATERIALS THAT
3 WE'VE -- THAT ARE EITHER ONGOING OR COMPLETED ARE
4 THE RESOURCE GUIDE OF SAMPLE SPECIFICATIONS,
5 CONTRACT LANGUAGE, AND LOCAL ORDINANCES. THIS
6 WILL HELP JURISDICTIONS DEVELOP PROCUREMENT
7 PROGRAMS BASED ON SUCCESSFUL MODEL PROCUREMENT
8 PROGRAMS.

9 THE -- WE'VE COMPLETED SIX RECYCLED
10 PRODUCTS AND PRACTICE CASE STUDIES, WHICH ARE
11 WASTE REDUCTION MODELS WHICH HIGHLIGHT SUCCESSFUL
12 PROGRAMS IN BOTH JURISDICTIONS AND BUSINESSES.
13 WE'VE COMPLETED FIVE GREEN BUILDING CASE STUDIES,
14 WHICH HIGHLIGHTS SUSTAINABLE DESIGN IN BUSINESSES,
15 COMMERCIAL BUILDINGS, AND HOMES.

16 THE -- AS CAREN MENTIONED EARLIER,
17 THE MAJOR ACCOMPLISHMENT DURING 1996 IS THE
18 RECYCLED-CONTENT PRODUCT DATABASE. AS SHE
19 MENTIONED, IT INCLUDES 10,000 LISTINGS OF RECYCLED
20 PRODUCTS. AND BY THE WAY, INCIDENTALLY, THIS IS
21 MANDATED BY THE PUBLIC RESOURCES CODE 42600(D).
22 IT IS ACCESSIBLE ON THE INTERNET, AND THE
23 RECYCLED-CONTENT DATABASE CAN BE QUERIED ON
24 SEVERAL DIFFERENT FIELDS TO FOCUS SEARCHES, AND IT
25 RETURNS A RANDOM SAMPLE OF UP TO FIVE COMPANIES

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1 THAT MEET THE SEARCH CRITERIA THAT ARE SELECTED.

2 THE SLIDE PRESENTATION OF

3 RECYCLED-CONTENT BUILDING PRODUCTS HAS BEEN

4 COMPLETED. IT'S A LIBRARY OF OVER 200

5 RECYCLED-CONTENT BUILDING AND CONSTRUCTION

6 PRODUCTS THAT WE HAVE ON CD-ROM FORMAT. AND THIS

7 ALLOWS STAFF TO DEVELOP PRESENTATIONS BOTH INSIDE

8 AND OUTSIDE THE BOARD.

9 INCIDENTALLY, WE RECEIVED A LOT OF

10 INTEREST IN THIS SLIDE PRESENTATION. I THINK WE

11 HAVE THREE REQUESTS ALREADY FROM OUTSIDE THE BOARD

12 TO SEE THE PRESENTATION. WE MAY ALSO EXPAND THIS

13 CONCEPT TO OTHER PRIORITY MATERIALS AS WELL.

14 AND FINALLY, THE MOBILE OFFICE

15 EXHIBIT IS AN ONGOING PROJECT. IT'S A PARTNERSHIP

16 WITH THE CITY OF SAN DIEGO TO BUILD A MOBILE

17 OFFICE EXHIBIT WHICH WILL DEMONSTRATE NOT ONLY

18 RECYCLED-CONTENT BUILDING PRODUCTS THAT MIGHT BE

19 USED IN AN OFFICE ENVIRONMENT, BUT ALSO THE OTHER

20 PRODUCTS SUCH AS RECYCLED PAPER THAT MIGHT BE

21 USED.

22 NOW I'D LIKE TO TALK ABOUT THE WORK

23 THAT WE'RE DOING IN THE FIVE ALLIANCES. PROBABLY

24 OUR HIGHEST PRIORITY ALLIANCE IS THE RECYCLED

25 PAPER COALITION. PAPER REPRESENTS 40 PERCENT OF

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1 THE WASTE STREAM, SO THIS IS A VERY HIGH PRIORITY
2 FOR US. THE MAIN THRUST OF OUR EFFORTS HAVE BEEN
3 ASSISTING THE ALLIANCE IN INCREASING ITS
4 MEMBERSHIP, PARTICULARLY THE CENTRAL AND SOUTHERN
5 CALIFORNIA CHAPTERS.

6 THE COALITION HAS OVER 200 -- THE
7 NATIONAL COALITION HAS OVER 200 MEMBERS
8 NATIONWIDE, AND MANY OF THESE COMPANIES ARE
9 FORTUNE 500 COMPANIES, SUCH AS BANK OF AMERICA,
10 CHEVRON, HEWLETT PACKARD, ETC.

11 THE NATIONAL COALITION'S '95 ANNUAL
12 REPORT WAS MADE AVAILABLE IN MAY OF '96 JUST AFTER
13 THE LAST BUY RECYCLED UPDATE. COALITION MEMBERS
14 REPORTED PURCHASING OVER 140,000 TONS OF
15 ENVIRONMENTALLY PREFERRED PAPER DURING '95, AND
16 46,000 TONS OF THIS WAS POSTCONSUMER WASTEPAPER BY
17 WEIGHT. A 144,000 TONS OF OFFICE PAPER WERE ALSO
18 RECYCLED. THIS ACCOUNTS FOR ABOUT 190,000 TONS OF
19 DIVERSION, OR ABOUT ONE-TENTH OF ONE PERCENT OF
20 THE NATIONAL WASTE STREAM.

21 THE CALIFORNIA CHAPTERS, NORTHERN,
22 CENTRAL, AND SOUTHERN CALIFORNIA, HAVE GIVEN US
23 PRELIMINARY NUMBERS FOR 1995 AS WELL. CALIFORNIA
24 COALITION MEMBERS PURCHASED 65,000 TONS OF
25 ENVIRONMENTALLY PREFERRED PAPER DURING '95, AND

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1 ABOUT 35 PERCENT OF THIS WAS POSTCONSUMER BY
2 WEIGHT. 84,000 TONS OF OFFICE PAPER WERE RECYCLED
3 IN '95. THIS IS ABOUT 106,000 TONS OF DIVERSION
4 OR ABOUT TWO-TENTHS OF ONE PERCENT OF CALIFORNIA'S
5 WASTE STREAM.

6 AS I MENTIONED EARLIER, THE
7 COALITION MEMBERS HAVE IDENTIFIED MEMBERSHIP AS
8 THEIR NO. 1 PRIORITY FOR BOARD ASSISTANCE. AND TO
9 ADDRESS THIS NEED, WE'VE DEVELOPED THE MODEL GREEN
10 BUILDING PROGRAM. BASICALLY WE HAVE ONE PROJECT
11 ALREADY FUNDED AND TWO THAT ARE ABOUT TO BE FUNDED
12 HOPEFULLY BEFORE THE END OF THE YEAR.

13 WHAT THIS IS IS WE'VE HIRED
14 CONSULTANTS TO DEVELOP A COMPLETE LOOP RECYCLING
15 SYSTEM, INCLUDING A PROACTIVE PROCUREMENT PROGRAM.
16 AND GENERALLY SPEAKING, THERE'RE STRONG FINANCIAL
17 INCENTIVES TO DO THIS, SO IT'S A WIN-WIN SITUATION
18 FOR THE PARTICIPANTS. IN EXCHANGE FOR SETTING UP
19 THIS PROGRAM, THE PARTICIPANTS ALL AGREED TO JOIN
20 THE RECYCLED PAPER COALITION. AND GENERALLY
21 THERE'S AT LEAST ONE MAJOR ANCHOR BUSINESS
22 INVOLVED IN THESE BUSINESSES OR THESE CONTRACTS.

23 I'D LIKE TO TALK BRIEFLY ABOUT THE
24 BUILDING AND CONSTRUCTION ALLIANCE, THE WORK THAT
25 WE'VE DONE. PROBABLY -- STAFF HAVE BEEN WORKING

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1 WITH SEVERAL LOCAL GOVERNMENTS AND COMMUNITY
2 GROUPS AND TRADE ASSOCIATIONS IN ALAMEDA, SANTA
3 BARBARA, LOS ANGELES, AND SAN DIEGO COUNTIES. THE
4 MAJOR ACCOMPLISHMENT DURING 1996 IN THE BUILDING
5 AND CONSTRUCTION AREA HAS BEEN WORKING WITH THE
6 SANTA BARBARA REGIONAL ALLIANCE, OTHERWISE KNOWN
7 AS THE SUSTAINABILITY PROJECT IN SANTA BARBARA.

8 STAFF HELPED THIS GROUP GIVE THE
9 GREEN BUILDING NOW CONFERENCE, WHICH WAS A
SERIES

10 OF SUSTAINABLE DESIGN WORKSHOPS, AND ALSO IT
11 INVOLVED A TRADE AND VENDOR SHOW OF
SUSTAINABLE
12 PRODUCT MANUFACTURERS.

13 IT WAS A VERY SUCCESSFUL
CONFERENCE

14 ATTENDED BY ABOUT 350 PARTICIPANTS, MOSTLY
15 PROFESSIONAL PEOPLE SUCH AS ARCHITECTS,
DESIGNERS,
16 AND CONTRACTORS. THERE WERE ABOUT 50
17 MANUFACTURERS OF SUSTAINABLE PRODUCTS ALSO
18 ATTENDED AS EXHIBITORS.

19 THIS CONFERENCE AND VENDOR SHOW,
WE
20 THINK, WILL SERVE AS A MODEL FOR OTHER

COMMUNITIES

21 AND REGIONAL ALLIANCES THAT WOULD LIKE TO DO
22 SIMILAR EFFORTS.

23 THERE ARE -- THERE'S ONE OTHER
24 ALLIANCE, THE ORGANICS ALLIANCE, WHERE WE'VE

DONE

25 A LOT OF WORK; HOWEVER, BECAUSE THE PRIVATE
BUY

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1 RECYCLED STRATEGY INDICATES -- AND THIS IS THE
2 ORGANICS ALLIANCE -- THE PRIVATE BUY RECYCLED
3 STRATEGY INDICATES THAT BOTH THE COMPOST QUALITY
4 STANDARD WORKSHOPS AND THE COMPOST DEMONSTRATION
5 PROJECTS NEED TO BE COMPLETED BEFORE WE ACTUALLY
6 DO ANY ALLIANCE FORMATION WORK. SO IN TERMS OF
7 THE ORGANICS ALLIANCE, THE FIVE COMPOST
8 DEMONSTRATIONS IN NORTHERN CALIFORNIA ARE
9 PROGRESSING VERY POSITIVELY AND ARE SCHEDULED TO
10 SUBMIT THEIR FINAL REPORTS BY MARCH 31ST OF '97.

11 LATER ON TODAY DR. MENGE WILL
12 DISCUSS THE SIX AGRICULTURAL DEMONSTRATIONS
13 INVOLVING CITRUS OR COMPOST -- URBAN COMPOST
14 APPLICATION ON CITRUS AND AVOCADO CROPS.

15 THE TWO ALLIANCES WHERE NOT VERY
16 MUCH IS HAPPENING, MOSTLY DUE TO RESOURCE
17 CONSTRAINTS, WE CONSCIOUSLY PUT THE PLASTICS
18 ALLIANCE ASIDE BECAUSE OF RESOURCE CONSTRAINTS,
19 AND THE MOTION PICTURE AND TELEVISION PRODUCERS
20 ALLIANCE IS NOW ON AN AS-NEEDED ROLE. WE HAVEN'T
21 RECEIVED ANY REQUESTS IN THE LAST QUARTER FOR
22 ASSISTANCE FROM THIS ALLIANCE.

23 THE IMPLEMENTATION OF THE PRIVATE
24 BUY RECYCLED STRATEGY IS UNDER WAY, AND STAFF WILL
25 CONTINUE TO APPRISE THE COMMITTEE OF PROGRESS AND

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1 ACTIVITIES. AND I'D BE HAPPY TO TRY TO ANSWER ANY
2 QUESTIONS AT THIS TIME IF THERE ARE ANY.

3 MEMBER CHESBRO: I HAD THE CHANCE A FEW
4 DAYS AGO TO VISIT THE WARNER CENTER PROJECT IN
5 WOODLAND HILLS, WHICH IS REFERRED TO HERE UNDER
6 THE MODEL GREEN BUILDING PROJECTS. AND IT IS
7 QUITE PHENOMENAL WHAT THEY'RE DOING. THEY HAVE
8 40,000 EMPLOYEES THAT ARE COVERED BY THIS ONE
9 PROJECT. AND AS YOU INDICATED IN THE REPORT, IT'S
10 RESULTED IN OVER A MILLION DOLLARS ANNUALLY IN
11 BENEFIT, EITHER IN REVENUE OR SAVINGS THAT HAVE
12 ACCRUED TO THE BUSINESSES THAT ARE PARTICIPATING.

13 IT INCLUDES TWO SHOPPING CENTERS --
14 I MEAN MALLS, NOT JUST SHOPPING CENTERS, TWO LARGE
15 MALLS, TWO HOTELS, MAJOR HOTELS. I BELIEVE A
16 HILTON AND I CAN'T REMEMBER THE OTHER ONE. THREE
17 OR FOUR HIGH RISES, SEVERAL LOW RISE OFFICE PARKS
18 THAT ARE ALL IN THIS ONE BIG COMPLEX. IT SEEMS
19 LIKE THERE'S A TREMENDOUS AMOUNT THAT CAN BE
20 LEARNED AND USED TO SHOW OTHER BUSINESSES AND
21 OTHER GROUPS OF BUSINESSES WHAT'S ACHIEVABLE.

22 SO I'M REALLY GLAD THAT WE'RE
23 WORKING WITH THAT PARTICULAR FIRM THAT IS
24 ASSISTING THEM IN RSI AND ATTEMPTING TO GET THAT
25 WORD OUT BECAUSE IT REALLY STANDS, I THINK, AS AN

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1 EXCELLENT EXAMPLE.

2 MR. MULLER: I MIGHT ALSO MENTION THAT
3 WE'RE TRYING TO GET A PROJECTION ON WHAT WE MIGHT
4 DO IF WE EXPAND THE RECYCLED PAPER COALITION TO
5 THE GREEN BUILDING MODEL PROGRAM. I'M NOT SURE
6 THAT WE'D WANT TO USE THAT ONE -- THAT DATA AS THE
7 TYPICAL EXAMPLE BECAUSE I THINK THAT'S GOING TO --
8 THAT'S EXTRAORDINARY, IF YOU'RE TALKING ABOUT THE
9 WOODLAND HILLS PROJECT. BUT WE ARE TRYING TO MAKE
10 AN ATTEMPT TO GET PROJECT TONNAGE FOR DIVERSION.

11 MEMBER CHESBRO: WE'RE GOING TO HAVE
12 SEVERAL THINGS THAT ARE FAIRLY UNIQUE. ONE OF
13 THEM IS TO HAVE THAT LARGE OF A COMPLEX THAT HAS A
14 COMMON ASSOCIATION. I MEAN YOU DO HAVE CHAMBERS
15 OF COMMERCE, BUT -- AND THOSE KINDS OF GROUPS, BUT
16 THIS IS A MAJOR COMMERCIAL MIXED -- WIDE VARIETY
17 OF BUSINESSES ALTOGETHER IN ONE ASSOCIATION THAT
18 CREATED THE FOCUS -- THAT ALREADY HAD THE FOCUS
19 THAT THIS COULD BE PLUGGED INTO.

20 AND I'M NOT SURE IT WOULD BE EASY TO
21 ACHIEVE ON THE SAME SCALE AS THEY HAVE DONE THERE
22 AND A LOT OF OTHER PLACES, BUT CERTAINLY IT STANDS
23 AS THE STANDARD OR SOMETHING THAT'S, YOU KNOW, I
24 MEAN TO STRIVE FOR IN TERMS OF WHAT CAN BE
25 ACCOMPLISHED. AND I WAS REALLY QUITE IMPRESSED

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1 WITH WHAT THEY'VE DONE.

2 THE OTHER WAY OF LOOKING AT IT IS IF
3 THEY COULD DO IT FOR THAT MANY BUSINESSES ON THAT
4 LARGE A SCALE, IT CERTAINLY SHOULD BE DOABLE FOR
5 AN OFFICE PARK OR ONE HIGH RISE OR ONE COMPLEX OF
6 BUSINESSES IF THEY CAN DO IT THERE.

7 THE OTHER THING I WANTED TO MENTION
8 WAS THAT I'VE BEEN HEARING -- I DON'T HAVE ANY
9 DETAILS OR FACTS -- BUT I'VE BEEN HEARING AROUND
10 THE STATE IN TERMS OF THE BUILDING AND
11 CONSTRUCTION ALLIANCES, I'VE BEEN HEARING THAT THE
12 DEMOLITION -- ECONOMICS OF THE C&D STUFF HAVE
13 SHIFTED SIGNIFICANTLY, AND THAT WE'RE SEEING A
14 REAL LOT OF MOVEMENT IN TERMS OF PARTICULARLY THE
15 CONCRETE RECYCLING, THAT THAT'S REALLY TAKING OFF.

16 AND I DON'T KNOW IF YOU HAVE ANY
17 CONFIRMATION OR FEEDBACK ON THAT. I'VE HEARD THAT
18 SEVERAL TIMES NOW FROM PEOPLE WHO JUST SAY THAT
19 THAT'S MAKING A BIG DENT AND REALLY APPEARS TO BE
20 GAINING MOMENTUM.

21 MR. MULLER: I'M AWARE OF SEVERAL
22 PROJECTS WHERE A LOT OF CRUSHED AGGREGATE BASE WAS
23 USED, BUT I WASN'T AWARE THAT IT'S SUDDENLY TAKEN
24 OFF.

25 MEMBER CHESBRO: I'VE MOSTLY HEARD IT IN

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1 GENERAL TERMS. I DON'T KNOW WHAT YOU'VE HEARD,
2 PAUL. BUT THAT'S THE PERCEPTION THAT'S OUT THERE
3 ANYWAY IS THAT IT'S REALLY BEGINNING TO HAPPEN THE
4 WAY WE HAD HOPED.

5 CHAIRMAN RELIS: I THINK THERE'S A LOT OF
6 CAPACITY NOW, I MEAN IN THE SENSE THAT INVESTMENTS
7 HAVE BEEN MADE BY ENOUGH COMPANIES TO PRETTY MUCH
8 COVER THE STATE, AT LEAST THE POPULATED AREAS OF
9 THE STATE. AND IT MAKES ECONOMIC SENSE BECAUSE
10 THEY'RE NOT TAKING IT TO LANDFILL. SO I THINK
11 IT'S JUST A WINNER AS FAR AS HIGH DIVERSION.

12 AND I THINK THAT'S PARTLY WHAT WE'RE
13 SEEING -- I MEAN THIS IS A BIT OF CONJECTURE. I
14 THINK IT'S PARTLY WHY WE'RE SEEING, IN SPITE OF
15 THE RECOVERY GOING ON IN CALIFORNIA, WE HAVEN'T
16 SEEN A BIG SURGE IN THE WASTE STREAM THAT WOULD
17 NORMALLY BE ASSOCIATED WITH MORE CONSTRUCTION
18 ACTIVITY. THAT'S JUST CONJECTURE. I CAN'T
PROVE
19 THAT.

20 MEMBER CHESBRO: WE HAVE THE C&D
UPDATE
21 COMING UP LATER ON THE AGENDA. MAYBE THEY'LL
HAVE
22 A FEW MORE THINGS TO SAY IN TERMS OF WHAT'S

GOING

23 ON WITH THE OVERALL.

24 CHAIRMAN RELIS: JUST ONE RELATED
25 OBSERVATION. YESTERDAY AFTERNOON I TALKED
WITH J.

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1 P. ELLMAN ON AN UPDATE ON WHAT'S GOING ON WITH
2 PLAYA VISTA, BUT MORE SPECIFICALLY SHE HAD A
3 MEETING, WHICH I COULD NOT ATTEND, WITH THE
4 MANAGING ARCHITECT, I BELIEVE, FOR DREAM WORKS.
5 AND SHE INDICATED THAT THERE WAS VERY HIGH
6 INTEREST BY THEM IN THE USE OF RECYCLED-CONTENT
7 PRODUCTS, NOT ONLY THE STUDIO CONSTRUCTION, SHOULD
8 THEY BUILD WHERE THEY ARE, BUT IN THEIR OTHER
9 ENDEAVORS THROUGHOUT SOUTHERN CALIFORNIA.

10 AND THAT THE MANAGING ARCHITECT WAS
11 FAMILIAR WITH RECYCLED-CONTENT PRODUCTS AND WAS
12 WILLING TO DO ACTUAL SAMPLE TRIALS TO -- YOU KNOW,
13 THEY'RE CONCERNED, OBVIOUSLY, ABOUT QUALITY AND
14 PERFORMANCE, BUT THERE WAS A GREAT DEAL OF
15 RECEPTIVITY. SHE WAS VERY ENCOURAGED BY THAT
16 MEETING. SO I THINK WE CAN CONTINUE OUR EFFORTS
17 IN THAT REGARD.

18 I'D ALSO LIKE TO NOTE IN THE REPORT
19 YOU MENTIONED AN ARTICLE THAT APPEARED IN THE BIA,
20 AS PART OF SOUTHERN CALIFORNIA REGIONAL ALLIANCE.
21 WONDERED IF THAT MIGHT BE SHARED WITH COMMITTEE
22 MEMBERS IF IT HAS APPEARED.

23 MR. MULLER: YES. I BELIEVE IT APPEARED
24 IN THE SOUTHERN CALIFORNIA BIA NEWSLETTER. IN
25 FACT, I ACTUALLY WROTE THE ARTICLE FOR THEM AND

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1 SENT IT OVER TO PAO, SO I CAN PROVIDE THAT FOR
2 YOU.

3 CHAIRMAN RELIS: AND THE OTHER AREA WOULD
4 BE JUST AN OBSERVATION. NOW THAT WE HAVE QUITE A
5 BIT OF EXPERIENCE WITH THE ALLIANCES, WE BEGIN TO
6 ANALYZE HOW THIS IS PERFORMING FOR US. I THINK I
7 MENTIONED IN THE BRIEFING THAT IT WOULD BE HELPFUL
8 TO BEGIN TO PUT ALL OF THIS INTO SOME NUMERICAL
9 FRAMEWORK SO WE COULD BEGIN TO EVALUATE HOW WELL
10 THESE ALLIANCES AND ACTIVITIES ARE TRANSLATING
11 INTO MARKET CAPACITY FOR US.

12 SO I BELIEVE THAT'S SOMETHING STAFF
13 WILL BE WORKING ON. THANK YOU VERY MUCH. GOOD
14 REPORT. OKAY.

15 I DON'T SEE THAT DR. MENGE IS HERE
16 YET, SO WE'LL JUST MOVE ON.

17 MS. TRGOVCICH: TO ITEM 3, WHICH IS A
18 PRESENTATION OF THE QUARTERLY PROGRESS REPORT ON
19 THE RECYCLING MARKET DEVELOPMENT ZONE PROGRAMS
20 MARKETING STRATEGY FOR '96-'97. AND JOHN BLUE.

21 MEMBER CHESBRO: I SAW HIM JUST OUTSIDE
22 THE DOOR A MINUTE AGO.

23 MS. TRGOVCICH: WOULD YOU LIKE TO MOVE
24 TO
25 THE C&D UPDATE? WE'LL MOVE TO ITEM 4 THEN, WHICH
 IS AN UPDATE ON IMPLEMENTATION OF THE

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1 AND DEMOLITION PLAN.

2 CHAIRMAN RELIS: WHAT'S UNDER THAT TARP?

3 MS. AUSTRHEIM-SMITH: WE'RE SAVING THE
4 BEST FOR A LITTLE BIT LATER. I DON'T WANT YOU TO
5 GO AWAY BEFORE THE BEST GETS HERE.

6 UNIDENTIFIED STAFF: FEEL A LITTLE LIKE
7 VANNA WHITE HERE.

8 MEMBER PENNINGTON: YOU DON'T LOOK LIKE
9 HER.

10 MR. AUSTRHEIM-SMITH: YOU CAN LOOK AT
11 THIS FOR A WHILE AND I'LL TALK ABOUT IT IN A FEW
12 MOMENTS.

13 GOOD MORNING, COMMITTEE MEMBERS. MY NAME
14 IS STEVE AUSTRHEIM-SMITH. I'M AN ENGINEER IN
15 WASTE PREVENTION MARKET DEVELOPMENT TECHNOLOGY
16 SERVICES SECTION. NAME HASN'T GOTTEN ANY SHORTER.

17 OUR EFFORTS HERE ARE MORE -- QUITE A
18 MORE THINGS TO SHOW YOU TODAY. THIS IS AN
19 INFORMATIONAL ITEM, AND WE'RE NOT ASKING THE
20 COMMITTEE TO TAKE ANY ACTION THIS MORNING. THIS
21 WILL BE A REPORT ON STAFF ACTIVITIES IN A NUMBER
22 OF MAJOR AREAS WITH RESPECT TO THE DISASTER
23 RESPONSE PLAN, MILITARY BASE CLOSURE ACTIVITIES,
24 MARKETING AND OUTREACH, SPECIFICATIONS, AND WANT
25 TO HIGHLIGHT OUR INVOLVEMENT IN A NUMBER OF OTHER

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1 CATEGORIES THAT DON'T REALLY FIT UNDER THESE
2 PREVIOUS ACTIVITIES.

3 AND THE FORMAT WILL BE I WILL TALK
4 BRIEFLY ABOUT ACCOMPLISHMENTS, A LITTLE BIT ABOUT
5 THE NEXT STEPS.

6 CONSTRUCTION AND DEMOLITION WASTE IS
7 ESTIMATED TO COMPRISE 20 TO 30 PERCENT OF THE
8 WASTE STREAM, OR ROUGHLY 11 MILLION TONS. THIS
9 PLAN'S OBJECTIVE TO IS PROVIDE INFORMATION AND
10 SUPPORT TO LOCAL GOVERNMENTS TO DIVERT AN
11 ESTIMATED 5.5 MILLION TONS PER YEAR OF C&D WASTE
12 BY THE YEAR 2000 IN ORDER TO ASSIST LOCAL
13 GOVERNMENTS IN ACHIEVING THE 50-PERCENT DIVERSION
14 REQUIREMENTS.

15 IN THAT EFFORT, WE HAVE PREPARED
16 QUITE A NUMBER OF ITEMS HERE. AND I'D LIKE TO
17 RECOGNIZE THE STAFF THAT'S DONE THAT. WE HAVE
18 CASEY ROBB HERE. THIS IS AN INTER- -- THROUGHOUT
19 THE DIVISION-TYPE EFFORT. SHE'S IN ANOTHER
20 BRANCH. SCOTT MCFARLAND HERE AND MARK FONG. ONE
21 OF OUR MISSING ENGINEERS IS RELLY BRIONES, AND
22 HE'S OUT SICK TODAY.

23 ONE OF OUR FIRST EFFORTS RECENTLY
24 HAS BEEN TO MAKE A PRELIMINARY ATTEMPT AT
25 QUANTIFYING C&D MATERIALS. AND WE FOUND THAT

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1 THERE ARE THREE MAJOR CATEGORIES: WOOD, ROUGHLY
2 25 PERCENT; INERTS, ROUGHLY 31 PERCENT; AND OTHER,
3 44 PERCENT. AND IT'S THE OTHER CATEGORY THAT
4 SOMETIMES GETS CONFUSING, BUT IT CONTAINS A LOT OF
5 MATERIALS WHICH ARE DESCRIBED IN THE AGENDA ITEM
6 ITSELF.

7 WITH RESPECT TO DISASTER RESPONSE,
8 THE C&D GROUP'S ROLE IN HELPING OUT WITH THE
9 DISASTER RESPONSE PLAN IS DIMINISHING. AND AS A
10 MATTER OF FACT, THE DISASTER RESPONSE PLAN IS
11 SCHEDULED TO BE DISTRIBUTED TO INTERESTED PARTIES
12 FOR COMMENT IN THE LAST QUARTER OF THIS YEAR. SO
13 IT'S COMING RIGHT ALONG AND IT'S NEARLY COMPLETED.

14 OUR ROLE AT THIS POINT IS TO PROVIDE
15 REVIEW FUNCTIONS TO THE SECTIONS OF THE DISASTER
16 PLAN AND PROVIDE UPDATES AS WE LEARN MORE ABOUT
17 C&D ACTIVITIES THAT ARE AFFECTED BY DISASTERS.

18 MILITARY BASE CLOSURE, WE'VE BEEN
19 MUCH MORE ACTIVE IN THIS AREA. I'D LIKE TO SHOW
20 YOU A FEW PHOTOS, WHICH SHOWS YOU SOME INFORMATION
21 WE'VE LEARNED AS A RESULT OF A CASE STUDY WE
22 PREPARED FROM THE PRESIDIO OF SAN FRANCISCO. THIS
23 IS THE VERY POPULAR BUILDING 901 IN SAN FRANCISCO
24 PRESIDIO. IT'S ALONG CRISTY FIELD RIGHT NEXT TO
25 THE BAY. IT'S PART OF THE GOLDEN GATE NATIONAL

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1 PARK. IT'S THE BUILDING THAT WE HAVE THE MOST
2 INFORMATION ON, AND WE WERE ABLE TO WRITE A VERY
3 NICE CASE STUDY ON THIS.

4 THIS IS THE BEGINNING OF IT. IT WAS
5 AN APPROXIMATELY 2400 SQUARE FOOT SUPPLY CENTER.
6 ONCE THE OUTSIDE SKIN HAS BEEN STRIPPED OFF, YOU
7 CAN SEE THE SKELETON UNDERNEATH, AND NEARLY ALL OF
8 THIS WAS SALVAGED. YOU CAN SEE SOME OF THE
9 MATERIALS PILED UP IN THE FOREGROUND OF THE
10 BUILDING. THIS NEXT PHOTO WILL SHOW YOU A LITTLE
11 BIT MORE CLEARLY WHAT SORTS OF MATERIALS AND HOW
12 MUCH WE WERE ABLE TO GET FROM THAT BUILDING.

13 IT'S IMPORTANT TO NOTE THAT IF WE'RE
14 GOING TO CAUSE THESE MATERIALS TO BE REUSED, WE
15 NEED SOME SORT OF LUMBER BETTER YARD ACTIVITY, IF
16 YOU WILL. THEY NEED TO BE SORTED, NEATLY STACKED,
17 AND AVAILABLE FOR PEOPLE TO VIEW.

18 AND WHEN WE'RE ALL DONE, THIS IS
19 WHAT WE HAVE LEFT. NOT MUCH. AS A MATTER OF
20 FACT, NOW ALL THOSE BUILDINGS IN THE BACKGROUND
21 WERE DEMOLISHED. THE BUILDING 901 IN THE
22 FOREGROUND WAS DEMOLISHED OVER A PERIOD OF ABOUT
23 SIX WEEKS BY HAND BY A NONPROFIT GROUP. THE ONES
24 IN THE BACKGROUND ARE TAKEN DOWN IN JUST A FEW
25 DAYS BY CONVENTIONAL DEMOLITION TECHNIQUES, AND

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1 MOST OF THE MATERIAL WAS HAULED TO LANDFILL. SO
2 WE HAVE SOME WORK TO DO, BUT OBVIOUSLY IT CAN BE
3 DONE.

4 CHAIRMAN RELIS: WHAT DID YOU LEARN --
5 WILL YOU BE GOING OVER THIS ON THE COMPARATIVE
6 COST AND VALUE OF THE MATERIAL?

7 MR. AUSTRHEIM-SMITH: THE COST ANALYSES
8 GET PRETTY TRICKY. FOR ONE, THE RECORDS THAT ARE
9 KEPT ARE NOT AS ACCURATE AS WE WOULD LIKE. BUT
10 APPROXIMATELY \$30,000 WORTH OF MATERIALS -- AND,
11 SCOTT, IF I'M OFF BASE ON SOME OF THESE NUMBERS
12 LET ME KNOW -- WERE ACTUALLY RETRIEVED AND SOLD.

13 CHAIRMAN RELIS: OUT OF THIS ONE
14 BUILDING, \$30,000.

15 MR. AUSTRHEIM-SMITH: \$30,000. THERE
16 WERE OTHER MATERIALS AT THE TIME THE \$30,000 QUOTE
17 WAS GIVEN US THAT HAD YET TO BE SOLD, AND THEY'RE
18 BEING SOLD THROUGH SAN FRANCISCO RECYCLING. AND
19 THEY'RE IN THE PROCESS OF WRITING A FINAL CASE
20 STUDY TO GIVE US THE FINAL DATA.

21 CHAIRMAN RELIS: AND IN THAT
22 DECONSTRUCTION PROCESS, DO YOU HAVE ANY -- HOW
23 MANY PEOPLE WERE INVOLVED IN TAKING THAT BUILDING
24 DOWN? DO YOU KNOW?

25 MR. AUSTRHEIM-SMITH: I BELIEVE IT WAS

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1 APPROXIMATELY A FIVE- OR SIX-MAN CREW.

2 CHAIRMAN RELIS: SO FIVE OR SIX PEOPLE
3 FOR A COUPLE WEEKS.

4 MR. AUSTRHEIM-SMITH: THAT'S RIGHT.

5 CHAIRMAN RELIS: AND THEN THEY WERE ABLE
6 TO TAKE THE BUILDING DOWN.

7 MR. AUSTRHEIM-SMITH: AND THEY WERE IN A
8 LEARNING MODE AT THAT POINT, SO THEIR IMPRESSIONS
9 WERE THAT AS THEY WERE GETTING BETTER AT IT, THEY
10 WOULD BE FASTER IN THE FUTURE.

11 CHAIRMAN RELIS: I WONDERED TOO. ARE
12 THERE ANY -- WHEN YOU TAKE A BUILDING APART, I
13 ASSUME YOU USE CROW BARS AND ALL THE USUAL STUFF.

14 MR. AUSTRHEIM-SMITH: THERE ARE AND THEY
15 DEVELOPED A RATHER SPECIALIZED CROW BAR THAT
16 HELPED THEM TAKE THE MATERIALS APART WITHOUT
17 BREAKING THEM.

18 CHAIRMAN RELIS: BECAUSE I JUST TOOK A
19 TABLE APART THIS WEEK THAT HAD BEEN BUILT BY A
20 NEIGHBOR, AND UNFORTUNATELY IT WAS A COMBINATION
21 OF BOLTS AND NAILS. AND I NEVER KNEW WHAT, SO I
22 ENDED UP HAVING TO PRY MOST OF IT APART AND
23 DESTROYED MOST OF THE MATERIAL IN THE PROCESS.

24 MR. AUSTRHEIM-SMITH: OFTEN THAT'S WHAT
25 HAPPENS IS THE ENDS OF THE LUMBER IS DESTROYED.

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1 ANY OF YOU SAW, IT WAS ON PUBLIC TELEVISION, THERE
2 WAS A PIECE ON URBAN ORE. I THINK IT WENT
3 NATIONAL. AND IT'S AN OPERATION OVER IN BERKELEY
4 THAT HAS A BIG SALVAGE YARD, AND THAT'S NOW UP TO
5 A \$2 MILLION A YEAR BUSINESS. AND THERE WAS AN
6 INTERVIEW WITH AN ARCHITECT OR DESIGNER ABOUT
7 WHY -- THEY WERE TALKING TO DIFFERENT PEOPLE WHO
8 WERE COMING IN BUYING THINGS THERE.

9 BUT ONE OF THE INTERESTING COMMENTS
10 WAS BY A DESIGNER WHO SAID -- WAS SHOWING EXAMPLES
11 OF HOW THEY WERE ABLE TO DECORATE DIFFERENT HOMES
12 FOR LIKE 4, \$600 WITH INTERIORS USING THESE OLD
13 MATERIALS AND HOW PEOPLE -- HOW MUCH PEOPLE LIKE
14 THEM BECAUSE THEY GOT AWAY FROM SOME OF THE
15 UNIFORMITY IF JUST OFF-THE-SHELF FURNITURE AND
16 OTHER THINGS.

17 SO IT SEEMS TO BE A GROWING
18 BUSINESS. AND I WOULD EXPECT IT TO GROW PRETTY
19 VIGOROUSLY. AND IF THIS WOOD -- LIKE WE'VE SAID
20 BEFORE, YOU GET REAL TWO BY FOURS OUT OF AN OLD
21 BUILDING THAT YOU CAN'T FIND ANYMORE.

22 MR. AUSTRHEIM-SMITH: MANY OF THE TWO BY
23 SIXES AND TWO BY TENS HAD THE OLD ORIGINAL GRADING
24 STAMPS THAT WERE SELECT STRUCTURALS OR NO. 1'S,
25 AND THEY'RE DIFFICULT TO EVEN FIND TODAY. LOT OF

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1 LUMBER THERE AVAILABLE.

2 COUPLE OTHER THINGS WE DID WITH THE
3 BASE CLOSURE ACTIVITIES, THE BASE CLOSURE HANDBOOK
4 HAS BEEN DRAFTED AND IS NEARLY COMPLETE.

5 THE STAFF PARTICIPATED IN A NUMBER
6 OF LOCAL WORKSHOPS. WE INCLUDED THE BAY AREA
7 DEFENSE CONVERSION ACTION TEAM WORKSHOPS, BAD CAT,
8 GOLDEN GATE NATIONAL PARK WORKSHOP, OAKINALL
9 (PHONETIC), AND PROJECT EXTRAORDINARY AT FORT ORD.

10 NEXT STEPS WITH MILITARY BASE
11 CLOSURE, WE WERE INVESTIGATING THE POSSIBILITY AND
12 VIABILITY OF ANOTHER CASE STUDY WITH HAMILTON ARMY
13 AIR BASE CLOSURE. FORT ORD IS LIKELY TO GIVE US A
14 VERY NICE CASE STUDY. THE BASE CLOSURE HANDBOOK
15 WILL BE PRINTED IN THE NEAR FUTURE AND DISTRIBUTED
16 TO ALL COMMUNITIES DEALING IN CLOSING MILITARY
17 BASES THROUGHOUT THE STATE AND OTHER INTERESTED
18 PARTIES AS WELL.

19 AND ANOTHER ACTIVITY IN THE FUTURE
20 WILL BE OUR CONNECTION WITH THE OR EFFORTS THROUGH
21 JOBS THROUGH RECYCLING, THE JTR GRANT. ONE OF THE
22 ACTIVITIES WE'VE ALREADY BEGUN TO HELP WITH THAT
23 GRANT PROGRESS IS WE'VE PREPARED SOME MAPS. AND
24 I'LL GO THROUGH THESE VERY QUICKLY.

25 THE MILITARY BASES THROUGHOUT

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1 CALIFORNIA, IT TURNS OUT WHEN WE CONTACTED HEATHER
2 WHEELER IN THE GOVERNOR'S OFFICE, THESE MAPS
3 REALLY DIDN'T EXIST IN A FORM WE COULD USE. THAT
4 JUST INDICATES THE BASES THROUGHOUT THE STATE.
5 WHAT WE'VE DONE, THEN, IS MAKE THE CONNECTION TO
6 THE ZONES, RMDZ'S, PLOTTED THE BASES ON TOP OF THE
7 ZONE MAP, AND THEN A LITTLE BIT MORE DETAIL. WE
8 HAVE EACH BASE LOCATED MORE SPECIFICALLY WITHIN A
9 ZONE. AND THESE MAPS ARE NOW AVAILABLE.

10 MARKETING AND OUTREACH ARE A MAJOR
11 AREA OF ACCOMPLISHMENT IN THIS AREA OF FACT
12 SHEETS. AS YOU CAN SEE, WE HAVE QUITE A NUMBER OF
13 FACT SHEETS AVAILABLE NOW. MORE ON THE WAY.

14 WE'VE DONE MASS MAILINGS TO A NUMBER
15 OF ORGANIZATIONS, APPROXIMATELY 120 C&D TRADE
16 ASSOCIATIONS, 100 RECYCLING ORGANIZATIONS, 30
17 BUILDING EXCHANGES, 150 INERTS RECYCLERS, AND
18 ANOTHER 150 WOOD WASTE PROCESSORS. THESE PEOPLE
19 RECEIVED OUR FACT SHEETS AND OTHER INFORMATION ON
20 HOW TO ORDER INFORMATION FROM THE WASTE MANAGEMENT
21 BOARD.

22 THE C&D WORKING GROUP HAS -- IS
23 CONTINUING ITS WEEKLY MEETINGS TO EXCHANGE
24 INFORMATION. THIS WORKING GROUP IS MADE UP OF
25 STAFF FROM THE ENTIRE AGENCY.

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1 GETS ME DOWN TO THE EXHIBIT HERE.

2 THIS EXHIBIT WAS PREPARED AS AN EYE CATCHER. AND

3 I HAVE TO ADMIT A LITTLE FUNNY STORY THAT HAPPENED

4 TO ME. IT IS FOR THE GENTLEMEN IN THE AUDIENCE

5 THAT ARE WISHING TO CATCH THE EYE OF A LADY, THERE

6 ARE TWO THINGS THAT I FOUND THAT ARE A GOOD WAY TO

7 DO THAT. ONE IS TO CARRY A VERY CUTE BABY ON YOUR

8 SHOULDER. THE OTHER IS TO WALK DOWN THE BUSY

9 STREETS NEAR MOSCONE CENTER WITH A DOLL HOUSE IN

10 YOUR HANDS.

11 WE USE THE DOLL HOUSE TO GO TO A

12 NUMBER OF THE TRADE SHOWS AND BUILDING

13 EXPOSITIONS. AND IT'S DEFINITELY AN EYE CATCHER.

14 IT DRAWS IN PEOPLE WALKING DOWN THE AISLES. WE

15 FEATURE A NUMBER OF RECYCLED-CONTENT BUILDING

16 MATERIALS. WE ALLOW THE MATERIALS TO BE

17 AVAILABLE. THEY'RE -- PEOPLE CAN PICK THEM UP,

18 FEEL THEM. IT LEAVES A LASTING IMPRESSION IN

19 THEIR MIND THAT ALL THESE MATERIALS GO INTO A

20 HOUSE, THEY ARE RECYCLED-CONTENT. THINK ABOUT

21 THAT IN THE FUTURE. THAT'S OUR INTENT.

22 NEXT STEPS, WE WANT TO MAKE ALL

23 THESE FACT SHEETS AND OTHER PRINTED INFORMATION

24 AVAILABLE ON THE INTERNET. STAFF HAS NEARLY

25 COMPLETED THE CONTRACT WITH IMB TO ARRANGE FOR

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1 THAT TO HAPPEN.

2 SPECIFICATIONS. SPECIFICATIONS ARE
3 AN IMPORTANT PART TO GETTING THESE MATERIALS USED
4 IN THE MARKETPLACE. WE'RE WORKING WITH CALTRANS
5 TO -- SPECIFICALLY IN THE AREA OF AGGREGATE
6 RECYCLING. ONE OF THE AREAS THAT WE'RE MOST
7 EXCITED ABOUT RIGHT NOW IS RECYCLED ASPHALT BACK
8 INTO ASPHALT AS WELL AS CHIPPED ASPHALT ROOFING
9 MATERIALS OR SHREDDED ASPHALT ROOFING MATERIALS
10 INTO AGGREGATE BASE.

11 AND OUR APPROACH TO CALTRANS AT THIS
12 POINT INDICATES THAT THEIR TESTING LAB IS HEARING
13 OUR PROPOSAL, AND OUR BEST FEELING IS THAT THEY'RE
14 WILLING TO PROVIDE TESTING ON THE AGGREGATE BASE
15 WITH ASPHALT ROOFING SHINGLES IN IT. SO THAT
16 COULD BE A GREAT PLUS.

17 CHAIRMAN RELIS: DO YOU HAVE A TIME FRAME
18 ON THAT ONE?

19 MR. AUSTRHEIM-SMITH: I BELIEVE THAT THE
20 TESTING COMMITTEE IS MEETING THIS WEEK, POSSIBLY
21 NEXT. BUT I BELIEVE THEY MEET MONTHLY. IS THAT
22 CORRECT, CASEY?

23 MS. ROBB: TODAY, YES. MONTHLY.

24 MR. AUSTRHEIM-SMITH: SO TODAY THEY'RE
25 MEETING, AND MAYBE THIS AFTERNOON WE'LL HEAR SOME

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1 RESULTS.

2 MEMBER CHESBRO: ARE THERE BUSINESSES AND
3 INFRASTRUCTURE FOR PROCESSING THOSE MATERIALS AND
4 GETTING THEM TO THE PAVING BUSINESSES NOW, OR
5 WOULD THAT BE SOMETHING THAT WOULD NEED TO START
6 UP ONCE THE SPECIFICATIONS WERE DEVELOPED AND
7 ACTUALLY --

8 MR. AUSTRHEIM-SMITH: THERE CERTAINLY
9 SEEMS TO BE INTEREST IN THAT AREA. A RECENT TRIP
10 TO RAISCH PRODUCTS -- I BELIEVE FITZ WENT ALONG
11 WITH US ON THAT TRIP A WEEK AND A HALF AGO --
12 INDICATES THAT THEY CAN PROCESS THE MATERIAL.
13 THEY'RE EXPERIMENTING THEMSELVES. THEY FEEL THAT
14 THE EQUIPMENT WILL NEED TO BE MODIFIED BECAUSE THE
15 ASPHALT SHINGLES ARE A LITTLE STICKY, HENCE JAM UP
16 THE EQUIPMENT OVER A PERIOD OF TIME. BUT THEY
17 DEFINITELY SEE A POSSIBILITY THERE AND ARE WORKING
18 THAT DIRECTION, AS WELL AS SOME OF THE WOOD THAT
19 IS IN THE ROOF TEAR-OFFS. SO I'M OPTIMISTIC IN
20 THAT AREA.

21 RAISCH PRODUCTS IS A RATHER LARGE
22 PROCESSING OPERATION IN THE SAN JOSE AREA, VERY
23 MODERN.

24 AND THEN A FEW OTHER ACTIVITIES THAT
25 C&D STAFF HAVE BEEN INVOLVED IN. WE'VE BEEN

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1 ATTENDING MEETINGS ON THE HOPEFULLY CAL/EPA
2 BUILDING. HOPEFULLY THERE WILL BE ONE FOR US. WE
3 WANT IT TO BE AS GREEN AS POSSIBLE.

4 WE'VE ALSO HAD SOME INVOLVEMENT IN
5 PROVIDING INFORMATION FOR THE PLAYA VISTA PROJECT
6 WITH HELPING OUT RICK MULLER IN HIS EFFORTS. AND
7 STAFF HAS ALSO PREPARED MARKET STATUS REPORTS FOR
8 C&D MATERIALS OF INERTS, WOOD, METAL, AND GLASS
9 FOR THE RECENT MARKET DEVELOPMENT PLAN.

10 AND I BELIEVE THAT FINISHES MY
11 PRESENTATION FOR TODAY. IF THERE ARE ANY
12 QUESTIONS, I'D BE HAPPY TO ANSWER.

13 CHAIRMAN RELIS: ANY QUESTIONS?

14 MEMBER CHESBRO: ANY RESPONSE TO PAUL'S
15 AND MY EARLIER COMMENTS ABOUT THE STATUS OF THE
16 USE OF THE AGGREGATE, THE CEMENT, THE CRUSHED
17 CEMENT AGGREGATE, AND WHAT'S GOING ON IN THE
18 MARKETPLACE WITH THAT?

19 MR. AUSTRHEIM-SMITH: MY PERSONAL
20 EXPERIENCE OR EXPOSURE HAS BEEN MOST RECENTLY WITH
21 RAISCH PRODUCTS IN SAN JOSE. THEY HAVE A MUCH
22 MORE MODERN OPERATION THERE NOW THAN THEY HAD A
23 YEAR AGO. THEY'RE PRETTY MUCH RUNNING AT
24 CAPACITY, AND THEY HAVE A LOT OF MATERIAL.
25 THEY'RE CONSIDERING EXPANSION. SO I THINK WHAT

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1 YOU SAID IS SUPPORTED BY CERTAINLY WHAT'S GOING ON
2 IN THE BAY AREA.

3 SO WE ARE EXPANDING INTO --
4 HISTORICALLY A LOT OF CONCRETE AND ASPHALT HAVE
5 BEEN RECYCLED ANYWAY. THE PRESENCE IS BECOMING
6 MORE OBVIOUS NOW, AND I THINK MORE OF IT IS --
7 THERE'S AN INTEREST IN RECYCLING MORE OF IT AS
8 QUARRIES ARE MINED OUT.

9 MEMBER CHESBRO: IF YOU COMBINE THE COST
10 OF DISPOSAL ON THE ONE HAND WITH THE COST AND
11 ENVIRONMENTAL ISSUES ASSOCIATED WITH MINING THE
12 VIRGIN MATERIALS AND THE PROXIMITY, PRESUMABLY, OF
13 THE DEMOLITION MATERIAL TO WHERE THE NEW
14 CONSTRUCTION IS GOING TO BE TAKING PLACE, IT JUST
15 SEEMS LIKE, BECAUSE THE QUARRIES ARE PRESUMABLY
16 OUT MAYBE A HUNDRED MILES AWAY OR 50 MILES AWAY,
17 WHEREAS THE MATERIAL IS RIGHT IN THE SAME URBAN
18 AREA WHERE THERE'S CONSTRUCTION.

19 MR. AUSTRHEIM-SMITH: COST OF HAULING IS
20 A SIGNIFICANT COST OF PROCESSING THOSE MATERIALS
21 AND USING THEM. IT'S ONLY GOING TO GO UP,
22 COST OF

22 HAULING. AS WELL AS THE RAISCH PRODUCTS
23 FACILITY

23 IN SAN JOSE WAS A MOBILE SYSTEM. THEY CAN

TEAR

24 THAT DOWN IN TWO DAYS AND PUT IT BACK UP IN

THREE,

25 WHICH WAS REALLY A VERY --

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1 MEMBER CHESBRO: SO THAT YOU GO TO A
2 MAJOR FREEWAY OVERPASS DEMOLITION TO CRUSH THE
3 STUFF.

4 MR. AUSTRHEIM-SMITH: THEIR ESTIMATES
5 WERE IF THEY HAD APPROXIMATELY 40,000 TONS OF
6 MATERIAL, THEY WERE WILLING TO MOVE THEIR
7 EQUIPMENT TO THE SITE.

8 CHAIRMAN RELIS: I THINK YOUR WORK IS
9 RIGHT ON TARGET, I MEAN, WITH THIS C&D PROGRAM.
10 AND I KNOW THAT, AS WITH OUR EARLIER COMMENT, YOU
11 HAVE SPECIFIED WHAT OUR TARGET OF 5.5 MILLION TONS
12 PER YEAR IS, AND I'M SURE YOU WILL BE WORKING TO
13 TRY AND ALSO GIVE US SOME FEEDBACK ABOUT WHAT'S
14 HAPPENING IN THE MARKETPLACE RELATIVE TO THOSE
15 NUMBERS.

16 I DON'T KNOW WHETHER YOU WILL BE
17 ABLE TO SURVEY IN SOME WAY THE DEVELOPMENT OF THIS
18 INFRASTRUCTURE AND MAKE SOME GUESSTIMATES AS TO
19 WHAT THE CAPACITY TO PROCESS RECYCLABLE AGGREGATES
20 AND OTHER ASPHALT SHINGLES AND OTHER MATERIALS
21 ARE, WHETHER WE COULD BEGIN TO SEE OUR TARGETED
22 NUMBER AGAINST WHAT WE UNDERSTAND THE INDUSTRY
23 CAPACITY AND MARKETPLACE TO BE. I THINK WE'LL
24 NEED THAT MOST DEFINITELY, BUT CERTAINLY NOT
25 IMMEDIATELY. THANKS VERY MUCH FOR A GOOD

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1 PRESENTATION. OKAY.

2 MS. TRGOVCICH: IF YOU LIKE, MR.
3 CHAIRMAN, WE COULD MOVE BACK TO ITEM, I BELIEVE IT
4 WAS, 3, UPDATE ON THE LOAN MARKETING STRATEGY.
5 JOHN BLUE IS GOING TO PRESENT THAT ITEM.

6 MR. BLUE: GOOD MORNING, CHAIRMAN RELIS.
7 I THOUGHT DR. MENGE WOULD BE HERE. GOOD MORNING,
8 MEMBERS OF THE COMMITTEE. MY NAME IS JOHN BLUE,
9 AND I'M HERE TO PRESENT THE FIRST QUARTERLY REPORT
10 ON MARKETING ACTIVITIES FOR THE RMDZ PROGRAM.

11 PRIMARY ACTIVITY FOR THIS QUARTER --
12 FIRST OFF, BEFORE I BEGIN, THERE WAS AN UPDATED
13 TABLE FOR PAGE -- REPLACING THE TABLE ON PAGE 2 OF
14 THE AGENDA. I THINK THAT'S PAGE 11 IN YOUR
15 PACKET. YOU SHOULD HAVE RECEIVED COPIES OF THAT,
16 AND THERE ARE COPIES IN THE BACK OF THE ROOM IF
17 ANYONE IS INTERESTED.

18 PRIMARY ACTIVITY FOR THIS QUARTER
19 WAS LAYING THE GROUNDWORK REALLY TO IMPLEMENTING
20 THE STRATEGY. BASED ON INPUT FROM ZONE
21 ADMINISTRATORS AND COMMITTEE MEMBERS AT THE
22 LAST -- WHEN THE MARKETING STRATEGY WAS ADOPTED,
23 STAFF HAS GONE OUT AND MET WITH EACH OF THE ZONE
24 ADMINISTRATORS AND ESTABLISHED A LEVEL OF EFFORT
25 THAT WOULD BE DESIRED BY THE ZONE ADMINISTRATORS

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1 IN THEIR PARTICULAR ZONE, THE LEVEL OF EFFORT TO
2 BE UNDERTAKEN BY THE BOARD STAFF.

3 IN ADDITION, EACH OF THE ZONES HAS
4 BEEN ASKED AND DID ASK TO REVIEW THE MAILING LIST
5 THAT WE WOULD USE WITHIN THEIR ZONE, SO THAT IS
6 CURRENTLY UNDER WAY.

7 RIGHT NOW ACHIEVEMENTS HAS -- WE'VE
8 MANAGED -- WE'VE GOT ALL THE INPUT BACK FROM THE
9 ZONE ADMINISTRATORS, WE'VE ESTABLISHED WHAT THEY
10 WANT US TO DO. WE'VE SORTED ALL THE MAILING LISTS
11 THAT WE HAVE BY ZONE, AND WE'RE IN THE PROCESS OF
12 GETTING THEM ALL REVIEWED AND PURGED BY THE ZONE
13 ADMINISTRATORS, SO WE CAN COMMENCE.

14 WE'VE STARTED WITH THE FIRST
15 MAILINGS LAST WEEK. SO JUST PICKED UP THE END OF
16 WEEK BEFORE LAST, PICKING UP THE END OF THE LAST
17 QUARTER. THIS QUARTER WE HAVE ALMOST THE ENTIRE
18 GOAL OF GOALS OR THE MAILINGS ALREADY READY TO GO.
19 IN FACT, WE'RE PRINTING THEM TODAY TO GO OUT OVER
20 THE NEXT SEVERAL WEEKS. SO WE SHOULD HAVE NO
21 PROBLEM WITH ACHIEVING THE DIRECT MAIL GOAL FOR
22 THIS COMING QUARTER.

23 IN ADDITION, STAFF HAVE BEEN WORKING
24 WITH CITIES OF LOS ANGELES AND SAN FRANCISCO ON
25 DIRECT MAILINGS THAT WERE FUNDED LOCALLY. IN

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1 THESE CASES THE CITIES DID THEIR OWN MAILING AND
2 HIRED AN OUTSIDE NONPROFIT TO DO THE FOLLOW-UP
3 CALLING, AND THEN THEY FORWARDED INTERESTED
4 PARTIES TO THE BOARD STAFF TO FOLLOW UP ON THE
5 POTENTIAL LOAN CANDIDATES.

6 ADDITIONALLY, STAFF HAVE CONTACTED A
7 LARGE NUMBER OF BANKS. MANY OF THE ZONES HAVE
8 LOCAL BANKING ASSOCIATIONS WHERE STAFF HAS BEEN
9 ABLE TO PRESENT THE RMDZ LOAN PROGRAM TO A GROUP
10 OF LOCAL BANKERS. AND AT THOSE MEETINGS STAFF
11 TYPICALLY ASK IF THEY CAN THEN GO TO THE
12 INDIVIDUAL BANK'S MANAGEMENT MEETINGS AND PRESENT
13 THIS INFORMATION AT THEIR -- IN THEIR ACTUAL
14 OFFICE.

15 AND STAFF ESTIMATE THAT WE'VE
16 CONTACTED ABOUT 20 BANKS AND OVER 200 INDIVIDUAL
17 BANKERS THROUGH THIS EFFORT. I THINK AN EXAMPLE
18 OF THE SUCCESS OF THIS OUTREACH HAS BEEN TWO
19 RECENT WORKSHOPS THAT CHAIRMAN RELIS ATTENDED IN
20 VENTURA AND SANTA BARBARA WHERE WE -- IT WAS
21 ACTUALLY HOSTED BY A BANK, CITY COMMERCE BANK, A
22 LOCAL BANK, WHERE THE BANK INVITED ITS BUSINESS
23 CUSTOMERS IN FOR A PRESENTATION ON THEIR RMDZ
LOAN

24 PROGRAM. AND THEY OFFERED, YOU KNOW, A SERVICE.
25 THEY'RE OFFERING INTERIM FINANCING TO BUSINESSES

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1 WHILE THEY WAIT FOR FINAL APPROVAL FROM THE BOARD
2 ON -- FOR OUR LOAN PROGRAM. SO IT REALLY SHOWED
3 THAT THE BANKS HAVE TAKEN AN INTEREST IN THE
4 PROGRAM.

5 CHAIRMAN RELIS: IF I MIGHT JUST
6 INTERJECT. IT WAS -- LISTENING TO THE
7 PRESENTATION BY CITY COMMERCE BANK MADE ME REALIZE
8 FOR THE FIRST TIME HOW OUR EFFORTS CAN WORK IN A
9 COMPLEMENTARY WAY WITH A COMMERCIAL BANK BECAUSE
10 SEVERAL THINGS CAN HAPPEN. ONE IS, AS YOU JUST
11 SAID, THEY CAN PROVIDE THE INTERIM FINANCING IF
12 THEY FEEL THE LOAN IS GOING TO GO AHEAD. OF
13 COURSE, THEY HAVE TO MAKE THAT CALL, AND PROVIDE A
14 HUNDRED PERCENT UP-FRONT FINANCING UNTIL OUR LOAN
15 WERE TO CLOSE.

16 AND ALSO THE LOAN RATES CAN BE
17 BLENDED, SO OUR LOW RATE CAN BE BLENDED WITH THE
18 COMMERCIAL RATE TO PRODUCE AN OVERALL RATE FOR A
19 PROJECT OF, SAY, 8 PERCENT IN A MARKET WHERE THE
20 COMMERCIAL RATE WOULD BE, IF YOU ADD THE POINTS
21 AND ALL, PROBABLY CLOSER TO CERTAINLY 10 OR 11.

22 SO WE DON'T NEED TO THINK OF OUR
23 LOAN RATE ALONE, NOR OUR MONEY ALONE BEING THE
24 LOW

24 RATE. THE BLENDED RATE BECOMES VERY ATTRACTIVE.
25 MEMBER CHESBRO: WHAT WOULD BE OF

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1 INTEREST TO ME WOULD BE TO TAKE WHAT THIS BANK
HAS
2 DONE WITH US AND USE IT TO DEMONSTRATE -- TO
3 INFORM OTHER FINANCIAL INSTITUTIONS ABOUT WHAT'S
4 POSSIBLE. IN OTHER WORDS, USE IT AS KIND OF A
5 ROLE MODEL OR MODEL FOR US TO PLAY OUT TO OTHER
6 BANKS WHAT THIS PARTICULAR BANK IS DOING. THAT'S
7 GREAT.

8 CHAIRMAN RELIS: THEY WERE VERY
9 ENTHUSIASTIC ABOUT MAKING LOANS TO COMPANIES. IN
10 FACT, AT ONE POINT THIS PERSON HAS A PERMIT
11 PROBLEM, SO I DON'T KNOW WHETHER THEY'LL BE
BEFORE

12 US, BUT IT WAS FOR ONE OF THESE -- THIS IS AN
13 INDIVIDUAL WHO GOES AROUND AND DOES CONSTRUCTION
14 SITE CLEANUP. AND HE'S REALIZED THAT HE COULD
15 CREATE A CONSTRUCTION YARD BECAUSE HE KNOWS WHAT
16 PERCENTAGE OF WASTE MATERIALS COME OUT OF
17 CONSTRUCTION PROJECTS. GOOD TWO BY FOURS AND
18 OTHER.

19 AND SO HE WANTS TO SITE A VERY
20 LARGE -- SITE AND BUILD A VERY LARGE RECLAMATION
21 YARD. AND HE HAS SOME PERMIT ISSUES THAT HE MAY
22 OR MAY NOT BE SUCCESSFUL GETTING OVER, BUT HE WAS
23 THERE TO FIND OUT WHAT KIND OF MONEY WAS

AVAILABLE

24 TO FINANCE THIS.

25 MR. BLUE: I SEE THIS AS REALLY JUST

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1 STILL GETTING UNDER WAY. I THINK WE'LL BE DOING
2 MORE AND MORE OUTREACH TO LENDERS. AND STAFF ARE
3 REALLY TRYING TO FOCUS THAT EFFORT ON NOT
4 REPLACING THE LENDERS, BUT SHOWING THE LOCAL
5 BANKS -- WE'RE LOOKING PREDOMINANTLY AT SMALLER,
6 LOCAL BANKS -- HOW WE CAN HELP THEM RETAIN THEIR
7 CUSTOMERS AND PROVIDE ADDITIONAL CUSTOMER SERVICE.
8 SO IT'S REALLY ENHANCING THEIR LOOK WITH THEIR
9 CUSTOMERS AND NOT TRYING TO REPLACE THEM AS
10 PRIMARY LENDERS.

11 CHAIRMAN RELIS: AND REMEMBER, THIS IS
12 WHERE THE KEY JOB GENERATION OCCURS IN THE STATE
13 ARE IN THESE TYPES OF BUSINESSES THAT WILL BE
14 FIVE-PERSON BUSINESSES THAT BECOME 10 AND 20 AND
15 30. THAT'S WHERE THE JOB GROWTH IS.

16 MR. BLUE: SO ANYHOW, THAT CONCLUDES MY
17 PRESENTATION. IF YOU HAVE ANY QUESTIONS, I'D BE
18 HAPPY TO ANSWER THEM.

19 CHAIRMAN RELIS: OKAY. VERY GOOD. WE'LL
20 LOOK FORWARD TO THE NEXT REPORT THEN. I GUESS --
21 WHERE ARE WE NOW?

22 MS. TRGOVCICH: WE'LL MOVE TO THE NEXT --
23 I'D LIKE TO TAKE THE NEXT TWO ITEMS TOGETHER.

24 JOHN SMITH WILL BE PRESENTING ITEMS 5 AND 6. ITEM
25 5 IS ON THE APPOINTMENT OF A MEMBER TO THE LOAN

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1 COMMITTEE FOR THE RECYCLING MARKET DEVELOPMENT
2 ZONE LOAN PROGRAM. AND THEN ON THE BACK OF THAT
3 ITEM, HE WILL MOVE INTO CONSIDERATION OF THE
4 COMPOSITION OF MEMBERSHIP AND THE ESTABLISHMENT OF
5 A PROCESS FOR SELECTION AND APPOINTMENT TO THE
6 LOAN COMMITTEE ITSELF.

7 MR. SMITH: GOOD MORNING, MR. CHAIRMAN
8 AND COMMITTEE MEMBERS. MOVING TO THE FIRST ITEM,
9 THE APPOINTMENT OF A CANDIDATE TO THE LOAN
10 COMMITTEE. WE DO -- GOOD NEWS IS WE DO HAVE A
11 CANDIDATE. HIS NAME IS DARYL SUTTERFIELD. HE'S
12 VICE PRESIDENT OF THE REDDING BANK OF COMMERCE.
13 HE COMES HIGHLY RECOMMENDED. HE HAS EXPERIENCE IN
14 THE MAJOR AREAS OF LENDING FROM ORIGINATION
15 THROUGH CLOSING. HE ALSO HAS WORKED WITH SEVERAL
16 SMALL BUSINESS ADMINISTRATION PROGRAMS, SO I THINK
17 HE'S FAMILIAR WITH THE TYPES OF SMALL BUSINESSES
18 THAT WE DEAL WITH ON A REGULAR BASIS.

19 SO WITH THAT, I'D LIKE TO MAKE THE
20 RECOMMENDATION THAT THE COMMITTEE APPROVE THE
21 APPOINTMENT OF DARYL SUTTERFIELD, VICE PRESIDENT
22 OF REDDING BANK OF COMMERCE, TO FILL A VACANCY ON
23 THE LOAN COMMITTEE FOR THE REMAINDER OF A TWO-YEAR
24 TERM, EXPIRING DECEMBER 1997.

25 WERE THERE ANY QUESTIONS?

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1 MEMBER PENNINGTON: MR. CHAIRMAN, I SO
2 MOVE.

3 MEMBER CHESBRO: SECOND.

4 CHAIRMAN RELIS: IT'S BEEN MOVED,
5 SECONDED. WE'LL CALL THE ROLL.

6 THE SECRETARY: MEMBER CHESBRO.

7 MEMBER CHESBRO: AYE.

8 THE SECRETARY: MEMBER PENNINGTON.

9 MEMBER PENNINGTON: AYE.

10 THE SECRETARY: CHAIRMAN RELIS.

11 CHAIRMAN RELIS: AYE. PUT THIS ON
12 CONSENT.

13 MEMBER PENNINGTON: ABSOLUTELY.

14 CHAIRMAN RELIS: VERY GOOD.

15 MR. SMITH: MOVING INTO THE SECOND MORE
16 COMPLICATED ITEM. IN THIS ITEM WE'RE GOING TO BE
17 DEALING WITH TWO PARTS. ONE TALKING ABOUT THE --
18 A PROPOSED PROCESS FOR SELECTING CANDIDATES. THIS
19 PARTICULAR PROCESS RELATES TO AN INTERNAL BOARD
20 PROCEDURE. THE SECOND PART OF THE ITEM WILL BE
21 DEALING WITH THE TIMELY CREDIT REVIEWS OF LOAN
22 APPLICATIONS.

23 AND THIS AT A LATER DATE WILL BE
THE
24 SUBJECT OF A REGULATORY PROCESS. SO I'LL TRY

NOT
25 TO LOSE YOU, AND I'LL TRY TO GO SO THAT YOU
CAN

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1 HOPEFULLY FOLLOW ME AS WELL.

2 FIRST, I'D LIKE TO SPEND JUST A
3 LITTLE BIT OF TIME ON OUR EXISTING PROCESS FOR
4 APPOINTING LOAN COMMITTEE MEMBERS. THIS PROCESS
5 IS VERY INFORMAL. STAFF BASES THEIR LEADS ON
6 INFORMATION RECEIVED FROM INTERNAL AS WELL AS
7 EXTERNAL SOURCES AND PLUS JUST OUR NORMAL
8 WORKINGS. WE COME IN CONTACT WITH A LOT OF
9 POTENTIAL CANDIDATES.

10 ONCE WE'VE NARROWED A LIST OF
11 POTENTIAL CANDIDATES, THEN STAFF WILL FOLLOW UP
12 WITH THOSE APPLICANTS, GAIN THE APPROPRIATE
13 STATEMENT OF QUALIFICATIONS AND RESUMES. ONCE
14 WE'VE REVIEWED THOSE RESUMES, THEN WE WILL GIVE A
15 RECOMMENDATION FOR EACH VACANCY, SO ONE NAME PER
16 VACANCY AS WE'VE DONE TODAY, AND THEN THOSE ARE
17 BROUGHT TO THE COMMITTEE AND THEN FORWARDED TO THE
18 BOARD IF THE COMMITTEE CONCURS WITH THE STAFF
19 RECOMMENDATION.

20 WHAT -- WE'RE GOING TO BE TALKING
21 ABOUT AND LOOKING AT A PROPOSED PROCESS. WE'RE
22 GOING TO LOOK AT ONE THAT WOULD BE MORE FORMAL, AS
23 WAS DIRECTED BY SOME BOARD MEMBERS AT THE AUGUST
24 BOARD MEETING. SO THIS PROPOSED PROCESS WOULD
25 INCLUDE THE FOLLOWING STEPS: FIRST, WE'D SOLICIT

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1 SUGGESTIONS FROM BOARD MEMBERS, ADVISORS, ZONE
2 ADMINISTRATORS, AND LENDING COMMUNITY
3 REPRESENTATIVES. SO WE WOULD FORMALLY GO OUT AND
4 SOLICIT POTENTIAL CANDIDATES FROM ALL THOSE
5 SOURCES. THEN WE'D FOLLOW UP WITH THE LEADS THAT
6 WE WERE GIVEN FROM THOSE SOURCES AND AGAIN OBTAIN
7 APPROPRIATE LISTS OF QUALIFICATIONS AND
8 APPROPRIATE RESUMES.

9 THEN WE WOULD PROPOSE DEVELOPING A
10 SHORT LIST OF CANDIDATES FOR EACH VACANCY
11 DEPENDING ON HOW MANY WE HAD FOR EACH VACANCY.
12 AND THAT WOULD BE FITTING WITH THE DIRECTION OF
13 THE BOARD, THAT WE COME UP WITH A MORE FORMAL
14 PROCESS. HOWEVER, WHAT YOU MIGHT WANT TO CONSIDER
15 IS PERHAPS A SLIGHT MODIFICATION OF THAT PROCESS.
16 AND WE'LL BE GETTING INTO THAT. AND BASICALLY
17 WHAT WE WOULD BE DEALING WITH IS THE STEP THAT
18 DEALS WITH THE FINAL SELECTION OF A CANDIDATE FOR
19 A VACANCY.

20 AND THE REASON WE'RE BRINGING THIS
21 POINT UP IS THAT WE FEEL THAT IT MAY BE
22 INAPPROPRIATE TO HAVE THE DISCUSSION OF THE
23 INDIVIDUAL MERITS OF ALL THE QUALIFIED CANDIDATES
24 IN A PUBLIC SETTING, HAVING THESE QUALIFIED PEOPLE
25 BEFORE YOU HAVING TO COMPETE FOR THOSE PARTICULAR

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1 SPOTS. AND THE REASON WE FEEL THAT WAY IS THAT WE
2 ARE ASKING THESE CANDIDATES TO COME IN AND
3 VOLUNTEER THEIR TIME, AND THEY REALLY DON'T
4 RECEIVE MUCH COMPENSATION FOR THEIR HARD EFFORTS.
5 WE MAINLY PROVIDE PER DIEM AND TRAVEL COSTS.

6 CHAIRMAN RELIS: THAT'S ALL WE PROVIDE.
7 THAT'S IT.

8 MS. TRGOVCICH: THE BENEFITS OF BEING ON
9 A BOARD ADVISORY COMMITTEE.

10 MR. SMITH: AND THEY MAY FEEL THAT THAT
11 MAY NOT BE WORTH HAVING TO GO THROUGH A PROCESS OF
12 FULL DISCUSSION OF THE CREDENTIALS FOR THE
13 COMMITTEE. SO THAT WOULD BE ONE MODIFICATION --
14 NO. I DIDN'T TELL YOU THE SOLUTION. I'M SORRY.
15 SO TO RESOLVE THAT ISSUE, WE WOULD PROPOSE THAT
16 STAFF BE DELEGATED TO DEVELOP THAT FINAL
17 RECOMMENDATION FOR EACH VACANCY, SO WE WOULD HAVE
18 ONE NAME PER VACANCY.

19 SO THAT CONCLUDES MY DISCUSSION ON
20 THE FIRST PORTION OF THE AGENDA ITEM. I'D WELCOME
21 YOUR DISCUSSION NOW, AND ALSO WE MAY WANT TO
22 EITHER CONSIDER A RECOMMENDATION NOW FOR THIS PART
23 NOW OR AT A LATER DATE WHEN WE FINISH THE ITEM.
24 SO ANY QUESTIONS?

25 MS. TRGOVCICH: MAYBE JUST TO CLARIFY.

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1 IN TERMS OF THE ITEM IN FRONT OF YOU, CHAIRMAN AND
2 MEMBERS, ON PAGE 31 OF YOUR PACKET, THE ITEM
3 RELATING TO THE APPOINTMENT PROCESS, AT THE BOTTOM
4 THERE'S A STAFF RECOMMENDED PROCESS AROUND THE
5 SELECTION AND BRINGING FORWARD OF CANDIDATES.

6 WHAT JOHN IS RECOMMENDING IS A
7 MODIFICATION TO ITEM 3 THERE, THAT IN RECOGNIZING
8 THE FACT THAT THESE INDIVIDUALS SERVE ON A
9 VOLUNTARY BASIS AND THEY'RE PROBABLY NOT WANTING
10 OF HAVING THEIR QUALIFICATIONS AND MERITS DEBATED
11 IN A PUBLIC SETTING, THAT WE WOULD BRING FORWARD
12 UNDER ITEM 3, AS OPPOSED TO A SHORT LIST, A SINGLE
13 RECOMMENDED CANDIDATE. AND THAT WOULD BE THE
14 STAFF RECOMMENDATION UNDER THIS PORTION OF THE
15 ITEM.

16 CHAIRMAN RELIS: OKAY. WHAT'S THE
17 PLEASURE OF THE COMMITTEE? DO WE WANT TO HAVE ANY
18 RESPONSE?

19 MEMBER PENNINGTON: I GUESS THE ONLY
20 THING THAT I -- I MEAN I DON'T HAVE A PROBLEM WITH
21 THIS, BUT I DO WANT TO MAKE SURE THAT AT LEAST THE
22 CHAIRMAN OF THE MARKETING COMMITTEE OR ONE OF
23 BOARD MEMBERS AT LEAST MEET THESE PEOPLE BEFORE
24 THEY'RE BROUGHT FORWARD, SO WE HAVE SOME IDEA WHO
25 THEY ARE AND WHAT THEY LOOK LIKE.

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1 MR. SMITH: THAT WOULD BE FINE.

2 MEMBER CHESBRO: I THINK A REVIEW,
3 PARTICULARLY PERHAPS A MEETING BY THE CHAIR OF THE
4 COMMITTEE, IS A GOOD IDEA AND ALSO PERHAPS
5 CIRCULATING THAT ONE PERSON TO THE OFFICES OF
6 THE -- OR THE RESUME OF THAT ONE PERSON TO THE
7 OFFICES OF MEMBERS IN ADVANCE WOULD BE
8 APPROPRIATE, NOT FOR PREDECISION. WE DON'T DO
9 THAT.

10 MEMBER PENNINGTON: I THINK IT COULD BE
11 EMBARRASSING IF YOU ADVANCE A NAME AND SOMEBODY
12 SAYS, "GEE. I KNEW THEM SOMEWHERE."

13 CHAIRMAN RELIS: SO THE IDEA WOULD BE
14 MAYBE THEY WOULD SHARE THAT WITH THE CHAIR OF THE
15 MARKET COMMITTEE, AND THEN THE CHAIR WOULD MAKE
16 SURE THAT OTHER COMMITTEE MEMBERS HAD COPIES OF
17 THE RESUMES. OKAY.

18 MS. TRGOVCICH: PERHAPS WHAT WE COULD DO
19 AT THE TIME OF THAT MEETING IS GO OVER FOR
YOU THE

20 THREE CRITERIA THAT WE'VE LOOKED AT IN TERMS
OF
21 THESE CANDIDATES, WHICH ARE INTEREST IN THE
22 PROGRAM, EXPERTISE, EXPERIENCE, AND AS WELL
AS

23 AVAILABILITY TO BE HERE FOR THE MEETINGS, OR
BE

24 AVAILABLE BY TELEPHONE. SO WE CAN SHARE THAT
WITH
25 YOU AT THAT TIME AS WELL.

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1 CHAIRMAN RELIS: OKAY. IS THERE A
2 MOTION?

3 MEMBER CHESBRO: I'LL MOVE THE STAFF
4 RECOMMENDATION WITH THE MODIFICATION THAT MS.
5 TRGOVCICH MENTIONED OF BRINGING FORWARD ONE
6 CANDIDATE WITH DIRECTION TO STAFF TO ARRANGE FOR
7 SOME SORT OF DIRECT CONTACT WITH THE CANDIDATE BY
8 THE CHAIR OF THE COMMITTEE AND CIRCULATION OF THAT
9 RECOMMENDED CANDIDATE RESUME TO THE OTHER
10 COMMITTEE MEMBERS AS WELL.

11 CHAIRMAN RELIS: OKAY.

12 MEMBER PENNINGTON: SECOND THAT.

13 MEMBER CHESBRO: IN ADVANCE OF THE AGENDA
14 ITEM.

15 CHAIRMAN RELIS: CALL THE ROLL.

16 THE SECRETARY: MEMBER CHESBRO.

17 MEMBER CHESBRO: AYE.

18 THE SECRETARY: MEMBER PENNINGTON.

19 MEMBER PENNINGTON: AYE.

20 THE SECRETARY: CHAIRMAN RELIS.

21 CHAIRMAN RELIS: AYE.

22 NOW, GIVEN THE FACT THAT I BELIEVE
23 THE MEMBER WHO RAISED THIS IS NOT HERE, MAYBE
24 WE'LL JUST TAKE THIS TO THE BOARD, NOT AS A --
25 COULD EITHER BE A CONSENT ITEM WITH THAT MEMBER

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1 BEING INFORMED AND SEE IF IT'S ACCEPTABLE TO HAVE
2 IT ON. WE CAN TAKE IT ON CONSENT.

3 MEMBER PENNINGTON: PUT IT ON CONSENT.
4 IF SOMEBODY WANTS TO PULL IT, THEY CAN PULL IT.

5 CHAIRMAN RELIS: OKAY. CONSENT IT IS.

6 NOW, BEFORE WE LEAVE THIS SUBJECT,
7 THERE WAS SOME DISCUSSION WE HAD IN THE BRIEFING
8 ABOUT THE SIZE.

9 MR. SMITH: I'M GOING TO GET TO THAT IN
10 THE OPTIONS.

11 CHAIRMAN RELIS: OKAY.

12 MR. SMITH: OKAY. THE SECOND PORTION OF
13 THE ITEM DEALS WITH THE DIFFICULTY WE'VE HAD IN
14 EXPEDITING CREDIT REVIEWS OF LOAN APPLICATIONS.
15 AND THE SUGGESTIONS WERE MODIFICATIONS IN CONCEPT
16 THAT WE'RE MAKING TO CHANGE THAT LOAN COMMITTEE SO
17 THAT WE DO HAVE EXPEDITED REVIEWS.

18 SO WHAT WE'RE SIMPLY REQUESTING ON
19 THIS ITEM IS SIMPLY YOUR INPUT ON SOME CONCEPTS
20 FOR CHANGE WHICH WILL BE SUBSEQUENTLY FULLY
21 CONSIDERED IN A REGULATORY PACKAGE COMING TO YOU
22 LATER THIS YEAR. SO, AGAIN, WE'RE JUST LOOKING
23 FOR EARLY GUIDANCE OR EARLY INPUT ON THESE
IDEAS.

24 AND WHEN WE DO, WE'LL COME BACK TO YOU WHEN WE
25 FORMALLY INITIATE THAT REGULATORY PROCESS.

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1 SO WE LOOKED AT THE CURRENT
2 COMMITTEE, ITS CHARACTERISTICS, AND LOOKED AT,
3 AGAIN, WAYS TO MAKE SURE THAT WE HAVE SUFFICIENT
4 COMMITTEE MEETINGS SO THAT WE CAN PROCESS THESE
5 LOANS IN A TIMELY FASHION. AND THIS IS BECOMING
6 MORE CRITICAL NOW ON OUR LAST ROUND THAT WE
7 RECEIVED TEN APPLICATIONS TOTALING OVER 4.1
8 MILLION. WE EXPECT PROBABLY A GOOD QUOTA

THE NEXT

9 TIME.

10 THE AREAS WE LOOKED AT WERE
REDUCING

11 THE QUORUM SIZE. THE QUORUM IS SET AT FOUR
RIGHT

12 NOW. WE CONSISTENTLY HAVE HAD DIFFICULTY IN
13 HAVING THAT QUORUM MET WITH OUR CURRENT
NUMBER.

14 AND CONSISTENTLY WHAT WE HAVE TO DO IS NOT
ONLY

15 NOTIFY THE COMMITTEE MEMBERS, BUT DO SOME
16 FOLLOW-UP TO MAKE SURE THAT WE DRAG THE LAST
17 PERSON IN AND HAVE OUR COMPLETE QUORUM.

18 SO WHAT WE'RE RECOMMENDING AS
A

19 CONCEPT HERE IS ENTERTAINING THE IDEA OF

REDUCING

20 THE QUORUM TO THREE. AND WE WOULD EVEN
THINK WITH

21 PROBABLY EVEN A LARGER POOL BASED ON PAST
22 ATTENDANCE, THAT EVEN THAT IF WE KEPT THE
FOUR, WE

23 STILL WOULD HAVE DIFFICULTY IN GETTING THE
FOUR.

24 SO THAT'S WHY WE'RE LOOKING AT THE IDEA OF
25 REDUCING THAT QUORUM TO THREE.

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1 WE'RE ALSO LOOKING AT WAYS TO
2 PROVIDE A MORE BALANCED CROSS SECTION OF THE
3 PUBLIC AND PRIVATE LENDERS THROUGHOUT THE STATE.
4 CURRENTLY THE MEMBERS -- MEMBERSHIP GEOGRAPHIC
5 AREA IS LOCATED MAINLY HERE IN SACRAMENTO AND THE
6 CENTRAL VALLEY, THE SACRAMENTO PORTION OF THAT,
7 THE BAY AREA, AND SOUTHERN CALIFORNIA. THE NORTH
8 COUNTY, NORTH STATE AREA IS UNREPRESENTED AS LONG
9 AS -- AS WELL AS THE EASTERN SIDE OF THE STATE.

10 WE'RE ALSO LOOKING AT ENTERTAINING
11 THE IDEA OF HAVING THE COMMITTEE MEETINGS ON A
12 MONTHLY BASIS INSTEAD OF QUARTERLY AS THEY ARE
13 RIGHT NOW. AND THIS WOULD BE FITTING IN WITH
14 CHANGING FROM A QUARTERLY LOAN CYCLE TO A
15 CONTINUOUS LOAN CYCLE.

16 AND THE LAST ITEM WE LOOKED AT WAS
17 THE APPROPRIATE SIZE OF THE COMMITTEE. CURRENTLY
18 THE SIZE IS SEVEN; AND AS I'VE INDICATED, WE'VE
19 HAD TROUBLE IN KEEPING A QUORUM ON A COUPLE OF
20 OCCASIONS. SO WHAT I'M GOING TO DO IS PRESENT
21 ONE -- THREE OPTIONS. THE FIRST THAT'S INDICATED
22 IN THE ITEM WOULD BE TO INCREASE THE MEMBERSHIP
23 FROM SEVEN TO 12.

24 THE REASON THAT WE'RE ASKING THAT
25 THE NUMBER 12 BE ESTABLISHED IS TO PROVIDE A

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1 SUFFICIENT ENOUGH POOL. ALSO, WHEN WE GO TO
2 MONTHLY MEETINGS, IT MAY BE MORE DIFFICULT FOR THE
3 COMMITTEE MEMBERS TO MAKE EACH MEETING. SO THE
4 ADDED NUMBER WOULD THEN ALLOW SOME FLEXIBILITY SO
5 THAT WE COULD CONTINUE TO HAVE THE QUORUM FOR EACH
6 MONTHLY MEETING.

7 THE SECOND OPTION WOULD BE JUST
8 SIMPLY INCREASING THE NUMBER TO SOMEWHAT LESS
9 THAN -- OKAY. THE COLUMN WITH LOOKING AT
10 INCREASING IT TO 12 IS WE COULD POTENTIALLY HAVE
11 HIGHER ADMINISTRATIVE COSTS, AND THOSE ARE THE
12 REIMBURSEMENTS THAT WE PROVIDE THE COMMITTEE
13 MEMBERS AND ALL THE ADDITIONAL REPRODUCTION AND
14 GETTING THE MATERIALS TO THEM IN A TIMELY WAY.

15 THE SECOND OPTION WOULD BE JUST
16 LOOKING AT INCREASING THE NUMBER, PROBABLY
17 SOMEWHAT LESS THAN 12, SO THAT WE STILL WOULD
HAVE
18 A HIGHER LIKELIHOOD OF A QUORUM FOR THE MONTHLY
19 MEETINGS, AND WE WOULD HAVE THEN SLIGHTLY LESS
20 ADMINISTRATIVE COSTS.

21 THE THIRD OPTION WOULD BE TO LOOK
AT
22 KEEPING THE NUMBER AT SEVEN AND THEN GOING
AHEAD

23 AND ALSO ELECTING ALTERNATES TO THOSE
POSITIONS.

24 THAT CERTAINLY WOULD STILL TAKE CARE PRETTY
MUCH
25 OF THE QUORUM PROBLEM. IT COULD KEEP THE

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1 ADMINISTRATIVE COSTS DOWN, BUT MAYBE THE
2 DISADVANTAGE OF ADDING ALTERNATES WOULD BE THAT
3 THESE POSITIONS MAY NOT BE AS PRESTIGIOUS AS A
4 FULL LOAN COMMITTEE MEMBER. THAT'S JUST THE SENSE
5 WE HAVE RIGHT NOW. WE HAVE TO MORE FULLY PURSUE
6 THAT. BUT THEY MAY NOT BE AS LIKELY TO WANT TO
7 SERVE AS AN ALTERNATE.

8 SO BEFORE GETTING INTO ANY
9 RECOMMENDATIONS ON FURTHER CONSIDERING THESE
10 CONCEPTS IN A REGULATORY PACKAGE, I'D LIKE YOUR
11 INPUT IN TERMS OF THE IDEAS THAT HAVE BEEN THROWN
12 OUT HERE.

13 MEMBER PENNINGTON: MR. CHAIRMAN, I'M
14 WONDERING, HAVE YOU MADE ANY ESTIMATE OF WHAT THE
15 ADDITIONAL COST WOULD BE WITH THE 12?

16 MR. SMITH: I DON'T HAVE IT HERE.
17 TYPICALLY OUR COSTS RIGHT NOW ARE REALLY --
18 THEY'RE -- YEAH. I DON'T HAVE THAT ESTIMATE.

19 MS. TRGOVCICH: DEPENDING UPON WHERE
20 THEY'RE LOCATED IN THE STATE, WE'RE PROBABLY
21 LOOKING ANYWHERE FROM 150 TO \$300 PER MEMBER PER
22 MEETING.

23 MR. SMITH: IT'S NOT A MAJOR COST.

24 MEMBER PENNINGTON: WELL, I CERTAINLY
25 DON'T HAVE ANY PROBLEM WITH MOVING WITH THE NUMBER

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1 OF COMMITTEE MEMBERS. I THINK IT'S PROBABLY A
2 GOOD IDEA TO SPREAD IT OUT. I KNOW MY EXPERIENCE
3 FROM WHEN I WAS WITH HCE, WE HAVE A LOAN COMMITTEE
4 THERE, AND IT FUNCTIONED FAIRLY WELL. BUT THEY
5 DID HAVE A QUORUM PROBLEM ON OCCASIONS THERE. AND
6 THEY HAD, WHAT, SEVEN MEMBERS, SEVEN MEMBERS
7 THERE. I THINK 12 IS FINE. I DON'T HAVE A
8 PROBLEM WITH THAT.

9 I DON'T KNOW THAT I WOULD BE IN
10 FAVOR OF LOWERING THE QUORUM. THAT'S ONLY A THIRD
11 OF THE COMMITTEE. IF YOU GO TO 12 AND YOU ONLY
12 HAVE TO HAVE THREE PEOPLE THERE, THAT'S -- THAT'S
13 A THIRD OF THE COMMITTEE. YOU OUGHT TO HAVE
14 FAIRLY CLOSE TO A MAJORITY OF THE COMMITTEE. AND
15 IF YOU ARE PROPOSING HAVING THREE DIFFERENT
16 STAGGERS, YOU COULD GET THREE PEOPLE THAT CONTROL
17 THE WHOLE THING.

18 SO I JUST -- I WOULD BE IN FAVOR OF
19 GOING TO 12. I WOULD NOT BE IN FAVOR OF REDUCING
20 THE QUORUM. AND ALSO ONE THING YOU HAVEN'T
21 DISCUSSED HERE IS I DON'T KNOW HOW A COMMITTEE
22 OPERATES WITHOUT A CHAIR, PARTICULARLY IF YOU ARE
23 GOING TO HAVE 12 PEOPLE ON THE COMMITTEE.
24 SOMEBODY'S GOT TO RUN IT. SOMEBODY HAS GOT TO
25 SORT OF ORGANIZE THE THING.

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1 MR. SMITH: THE --

2 MEMBER PENNINGTON: IT'S EITHER STAFF
3 DRIVEN OR --

4 CHAIRMAN RELIS: HASN'T THAT ISSUE BEEN
5 DRIVEN REALLY BY THE COMMITTEE? WE'VE NEVER SAID
6 WE WANT A CHAIR. I MEAN WE HAVE THE LATITUDE TO
7 DO THAT, I BELIEVE, JUST DECLARE THERE WILL BE A
8 CHAIR.

9 MEMBER PENNINGTON: OR APPOINT SOMEBODY
10 CHAIR.

11 MR. SMITH: YOU KNOW, WITH KEEPING, YOU
12 KNOW, THE NUMBER AT SEVEN AND THE NUMBERS OF
13 APPLICATIONS THEY PROCESS, I DON'T THINK IT'S BEEN
14 A PROBLEM BECAUSE, YOU KNOW, THEY'RE MEETING ONCE
15 A QUARTER. THEY, YOU KNOW, GET FIVE OR SIX, FOUR
16 TO SIX LOANS TO LOOK AT. IT REALLY ISN'T A BIG
17 ADMINISTRATIVE NIGHTMARE TO KIND OF GET THROUGH
18 ALL THE PAPERWORK OR BE ABLE TO EVALUATE THEM.
19 SO...

20 CHAIRMAN RELIS: IF YOU MOVE TO A
MONTHLY

21 CYCLE, YOU ARE TALKING ABOUT A DIFFERENT TYPE
OF
22 OPERATION.

23 MS. TRGOVCICH: WE COULD CERTAINLY AT

THE

24 TIME THAT ANY OF THESE CHANGES WENT INTO

EFFECT --

25 AND ONCE AGAIN, WE'RE SEEKING YOUR INPUT FOR A

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1 REGULATIONS PACKAGE THAT WOULD COME BACK TO
THE

2 COMMITTEE FOR APPROVAL TO GO OUT TO FORMAL
NOTICE

3 SOMETIME IN THE NOVEMBER, DECEMBER TIME FRAME.

4 BUT AT THE TIME THAT THESE CHANGES WENT INTO

5 EFFECT, WE COULD CERTAINLY PUT ON THE
COMMITTEE'S

6 CONSIDERATION ONCE AGAIN FOR THEM TO DISCUSS
THE

7 IDENTIFICATION OF A CHAIR FOR THE COMMITTEE.

8 IT IS MY UNDERSTANDING THAT THEY

9 DISCUSSED IT IN THE PAST, AND AMONGST THE
MEMBERS

10 THEMSELVES THEY DECIDED THAT WASN'T THE WAY
THEY

11 WANTED TO GO, BUT THAT WAS THEN. AND WITH
SOME

12 CHANGES WE MAY BE MOVING TO IMPLEMENT RIGHT
NOW,

13 THERE MAY BE A NEED TO RECONSIDER THAT.

14 MR. SMITH: IT WAS DISCUSSED AT AN

15 INITIAL MEETING THAT I ATTENDED AND ONE THIS
YEAR

16 WHETHER THEY SHOULD HAVE A CHAIRMAN, AND THEY

17 DECIDED THEY DIDN'T FEEL THEY NEEDED ONE.

18 CHAIRMAN RELIS: THERE'S THE
SUGGESTION

19 THAT WE MOVE TO 12, THAT WE MAINTAIN FOUR AS A
20 QUORUM. AND WHAT ABOUT THE MONTHLY? I MEAN
IT

21 SEEMS TO ME WE'VE BEEN AFTER THAT.

22 MEMBER PENNINGTON: DEFINITELY.

23 CHAIRMAN RELIS: WE HAVE TO GET THE
24 MONTHLY REVIEW OUT OF THIS.

25 MEMBER PENNINGTON: THERE'S NO REASON
TO

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1 DO ALL THE OTHER IF WE DON'T GO TO A MONTHLY.

2 MS. TRGOVCICH: SO WHAT WE'LL DO, MR.

3 CHAIRMAN, IS WE'LL INCORPORATE YOUR COMMENTS INTO

4 THE DRAFT REGULATIONS. WE WILL BE CIRCULATING

5 THOSE TO THE ZONE ADMINISTRATORS FOR THEIR

COMMENT

6 AND THE LOAN COMMITTEE MEMBERS, AND THEN WE WILL

7 BE COMING BACK BEFORE THIS COMMITTEE FOR APPROVAL

8 TO GO TO FORMAL NOTICE.

9 CHAIRMAN RELIS: SO THIS IS LISTED AS A

10 CONSIDERATION ITEM. SO ARE YOU SEEKING --

11 MS. TRGOVCICH: THE CONSIDERATION

ELEMENT

12 WAS AROUND THE PROCESS ITSELF. THE TITLE WASN'T

13 CLEAR IN THAT REGARD. SO WHAT WE'RE JUST SEEKING

14 IN THIS SECOND PART OF THE ITEM, WHICH RELATES TO

15 THE REGULATIONS, IS JUST YOUR INPUT. IT'S NOT AS

16 AN ACTUAL MOTION OF THE COMMITTEE.

17 CHAIRMAN RELIS: AND THAT WILL BE MADE

18 LATER WHEN WE GO INTO THE --

19 MS. TRGOVCICH: THE REGULATORY PROCESS,

20 YES.

21 CHAIRMAN RELIS: ANY COMMENTS? SO I

22 THINK YOU HAVE THE DIRECTION THAT YOU REQUESTED.

23 THANK YOU VERY MUCH.

24 MS. TRGOVCICH: MR. CHAIRMAN, IF IT'S
THE
25 PLEASURE OF THE COMMITTEE, WE HAVE ONE STAFF ITEM

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1 REMAINING. DR. MENGE HAS ARRIVED, AND THAT IS
THE
2 SECOND ITEM. IT WILL BE THE PLEASURE OF THE
3 COMMITTEE. WHAT I'D LIKE TO DO IS MOVE TO ITEM
7,
4 WHICH IS CONSIDERATION OF A PROPOSAL TO CHANGE
5 REGULATIONS FOR RECYCLED-CONTENT NEWSPRINT
QUALITY
6 STANDARDS SO THAT DR. MENGE CAN THEN HAVE YOUR
7 FULL ATTENTION TO BE ABLE TO DISCUSS THE STATUS
OF
8 HIS PROJECT.

9 CHAIRMAN RELIS: AND IF THERE'S ANYONE
10 WHO'S HERE WANTS TO SPEAK TO THIS LAST ITEM, AND
11 IF FOR SOME REASON MISSED YOU EARLIER, PLEASE
12 BRING A SLIP UP FRONT, AND I'LL ACKNOWLEDGE YOU
TO
13 COME UP TO THE PODIUM.

14 OKAY. LET'S PROCEED WITH THE
15 NEWSPRINT ITEM. FRANCISCO GUTTERRES WILL BE
16 PRESENTING THIS ITEM FOR THE MARKET DEVELOPMENT
17 DIVISION.

18 MR. GUTTERRES: GOOD MORNING, CHAIRMAN
19 AND COMMITTEE MEMBERS. MY NAME IS FRANCISCO
20 GUTTERRES. AND TODAY I'LL BE PRESENTING ITEM NO.

21 7, AND THE TITLE IS "CONSIDERATION OF PROPOSAL TO
22 CHANGE REGULATIONS FOR RECYCLED-CONTENT NEWSPRINT
23 QUALITY STANDARDS."

24 AND THE STAFF IS REQUESTING

APPROVAL

25 TO FILE A NOTICE OF PROPOSED RULEMAKING WITH OAL.

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1 AND IN THE RULEMAKING PROCESS, THE PROPOSAL WOULD
2 NEED TO, FIRST OF ALL, FILE A NOTICE WITH OAL AND
3 THEN GO TO RULEMAKING PROCESS, WHICH INCLUDE
4 PUBLIC NOTICE AND PUBLIC COMMENT AND SO ON. AND
5 AFTER THAT, IT WILL COME BACK TO COMMITTEE AND
6 THEN PRESENTED TO THE BOARD.

7 JUST TO GIVE YOU A BIRD'S EYE VIEW
8 OF WHAT I'LL BE DISCUSSING, IS THE FIRST THING
9 I'LL BE TALKING ABOUT IS THE PROPOSAL SUMMARY.
10 AND FROM THEN ON, I'LL GO ON TO EXISTING NEWSPRINT
11 REGULATION, WHICH WILL INCLUDE QUALITY STANDARD
12 RESPONSIBILITY OF VARIOUS PARTIES AND EXEMPTION
13 PROCESS. AND FROM THEN, I'LL GO OVER TO THE STAFF
14 PROPOSAL, AND I'LL DISCUSS A LITTLE BIT ABOUT THE
15 ADVANTAGE AND DISADVANTAGES AND ALSO THE INFORMAL
16 FEEDBACK THAT STAFF HAVE RECEIVED.

17 IN TERMS OF THE PROPOSAL, THE BASIC
18 CONCEPT IS TO AMEND EXISTING ANNUAL TESTING TO THE
19 RANDOM AUDIT TESTING METHOD FOR ESTABLISHED
20 RECYCLED-CONTENT NEWSPRINT QUALITY STANDARDS. AND
21 THE PURPOSE BEHIND THAT IS REALLY TO STREAMLINE
22 THE REGULATION, TO MAKE IT MORE EFFICIENT, AND TO
23 ELIMINATE OR REDUCE DUPLICATE ACTIVITIES.

24 THE REASON IS BECAUSE THE STANDARD
25 THAT WE TEST IS WHAT THE INDUSTRY TESTS TOO, SO

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1 THE INDUSTRY TEST THEM ONCE AND WE TEST THEM
2 AGAIN. AND WE SEE THAT AS A REDUNDANCE IN
3 ACTIVITY THERE, AND IF WE STREAMLINE, THINGS WILL
4 BE A LITTLE BIT MORE EFFICIENT.

5 THE EXISTING NEWSPRINT REGULATION
6 REQUIRES THE CUSTOMER TO USE A CERTAIN AMOUNT OF
7 MINIMUM RECYCLED CONTENT. AS YOU CAN SEE FROM THE
8 SLIDE HERE, THAT IN THE YEAR 1996, THAT'S THIS
9 YEAR, THEY ARE REQUIRED TO USE 35 PERCENT. AND
10 RECYCLED-CONTENT NEWSPRINT IS DEFINED IN THE
11 REGULATION AS 40 PERCENT POSTCONSUMER.

12 THE WAY THE STANDARD HAS BEEN
13 ESTABLISHED AT THE PRESENT MOMENT IN THE EXISTING
14 REGULATION IS THE BOARD WOULD, FIRST OF ALL,
15 REQUEST SAMPLES FROM THE MANUFACTURER. THE BOARD
16 WOULD TEST THE SAMPLES, AND THEN WE WILL CALCULATE
17 A NEW STANDARD BASED ON THE TEST RESULTS. AND
18 THEN ON, WE WOULD RELEASE IT TO THE GENERAL
19 PUBLIC.

20 AND THE RESPONSIBILITY OF EXISTING
21 REGULATION AT THE PRESENT MOMENT IS THE CUSTOMERS,
22 WHICH IS THE COMMERCIAL PRINTERS AND PUBLISHER IN
23 CALIFORNIA, THEY NEED TO -- THEY ARE REQUIRED TO
24 HAVE ANNUAL CERTIFICATION TO CERTIFY THE AMOUNT OF
25 RECYCLED-CONTENT NEWSPRINT THAT THEY HAVE USED IN

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1 CALIFORNIA. AS FOR THE MANUFACTURER, THEY NEED TO
2 HAVE ANNUAL CERTIFICATION FOR THE AMOUNT OF
3 RECYCLED-CONTENT NEWSPRINT SHIPPED TO CALIFORNIA.

4 THERE ARE THREE TYPES OF EXEMPTION
5 THAT A CUSTOMER MAY APPLY FOR EXEMPTION, AND THIS
6 PART OF THE REGULATION, FROM THEN ON WE WOULD
7 ACTUALLY NOT TOUCH IT. I JUST WANT TO GO OVER
8 WITH YOU SO YOU WOULD HAVE AN IDEA.

9 THE FIRST TYPE OF EXEMPTION IS DUE
10 TO PRICE. THE SECOND IS THE SHIPMENT, REASONABLE
11 TIME OF SHIPMENT. AND THE THIRD ONE IS WHAT WE
12 WOULD BE ADDRESSING IS THE QUALITY STANDARDS, IF
13 THE QUALITY DOES NOT MEET A CERTAIN STANDARD.

14 IN TERMS OF THE DOCUMENTS THAT THE
15 CUSTOMER NEEDS TO, WHEN THEY APPLY FOR EXEMPTION,
16 THEY WOULD NEED TO, FIRST OF ALL, DOCUMENT THE
17 SUPPLY THAT THEY HAVE CONTACTED FOR LAST 12 MONTHS
18 AND A LIST OF CONTACTS OF SUPPLIER THAT THEY HAVE
19 PURCHASED THIS QUESTION. AND THEY WILL ALSO NEED
20 TO DOCUMENT THE CLAIM, WHICHEVER THAT MAY BE,
21 WHETHER IT'S PRICE, TIME, OR QUALITY.

22 IN THE STAFF PROPOSAL THE STANDARD
23 WILL BE ALSO ESTABLISH ANNUALLY. FIRST, THE BOARD
24 WOULD REQUEST THE TEST DATA OR THE SAMPLES FROM
25 THE MANUFACTURER. AND THE MANUFACTURER WILL

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1 SUBMIT THE TEST DATA OR SAMPLES TO THE BOARD. AND
2 TO BE ABLE TO SUBMIT THE TEST DATA, THEY WOULD
3 NEED TO SUBMIT A SIGNED STATEMENT UNDER PENALTY OF
4 PERJURY WITH THEIR TEST DATA. AND WITH THAT, THE
5 BOARD WOULD USE EITHER THE MANUFACTURER'S TEST
6 DATA OR THE BOARD'S OWN TEST DATA TO CALCULATE THE
7 NEW STANDARDS. AND FROM THEN ON THE BOARD WOULD
8 RELEASE IT TO THE PUBLIC.

9 MOREOVER, THE BOARD WOULD ALSO HAVE
10 THE RIGHT TO REQUEST SAMPLES FROM THE
11 MANUFACTURING ANY TIME THEY WISH TO. AND JUST TO
12 GO OVER HOW THE TEST STANDARD -- THE STANDARD
13 WOULD BE CALCULATED, IT WILL BE BASED UPON THE
14 MANUFACTURER'S TEST DATA ALONE, OR WE COULD JUST
15 USE OUR OWN TEST DATA. OR IF WE WISH TO, WE CAN
16 USE A COMBINATION OF MANUFACTURER'S TEST DATA AND
17 THE BOARD TEST DATA.

18 ONE SITUATION WOULD BE SUCH AS IF
19 THERE ARE A NEW TYPE OF GRADE OF PAPER, WE MAY NOT
20 WANT TO TEST ALL THE GRADES AND JUST ON THAT
21 SPECIFIC GRADE. SO UNDER THAT CIRCUMSTANCES, IT
22 WILL BE A COMBINATION OF MANUFACTURER TEST DATA
23 AND THE BOARD TEST DATA.

24 AS FOR THE ADVANTAGE AND
25 DISADVANTAGES, FIRST I WOULD LIKE TO COVER THE

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1 ADVANTAGES. THE MANUFACTURER WILL OBVIOUSLY SAVE
2 TIME AND MONEY ON THE SHIPMENT AND HANDLING, AND
3 THE BOARD WOULD ALSO SAVE TIME AND MONEY ON THE
4 TESTING PROCEDURES.

5 IN TERMS OF THIS, THIS IS MORE OF A
6 COST AVOIDANCE BECAUSE THE BOARD DOES NOT RECEIVE
7 ANY FUNDING FROM THE PAPER INDUSTRY TO DO THESE
8 TEST RESULTS, SO WE NEED TO ACTUALLY COME FROM
OUR
9 GENERAL FUND. AND ALSO, THIS WILL BE A MORE OF A
10 STREAMLINED PROCESS, AND IT WILL BE A REDUCE IN
11 STATE REGULATIONS.

12 THE DISADVANTAGE WOULD BE THAT
STAFF
13 WILL NEED TO GO OVER TO THE RULEMAKING PROCESS,
14 AND IT COULD BE A TIME-CONSUMING PROCESS.

15 WHEN STAFF WAS THINKING OF THIS
16 PROPOSAL, WE HAVE SELECTED A SAMPLE FROM THE
17 INDUSTRY, SMALL SAMPLE, TO SOLICIT THEIR FEEDBACK
18 AND TO SEE WHAT INDUSTRY MIGHT FEEL ABOUT IT.

AND

19 WE HAVE SENT TO A NUMBER OF MANUFACTURER, WHICH
20 WOULD INCLUDE SMURFIT, DAISHOWA, FLETCHER
21 CHALLENGER, AND STONE CONTAINER, RAINY RIVER, AND
22 IT WAS SENT TO AN ENVIRONMENTAL GROUP,

23 CALIFORNIANS AGAINST WASTE. RAINY RIVER AND
STONE

24 CONTAINER HAVE MERGED AND FORMED INTO ONE

COMPANY,

25 BUT NEVERTHELESS WE SENT TO BOTH INDIVIDUALS.

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1 WE RECEIVED --

2 CHAIRMAN RELIS: COULD YOU SPEAK JUST A
3 LITTLE LOUDER?

4 MR. GUTTERRES: WE RECEIVED NO NEGATIVE
5 INPUT AT THE PRESENT MOMENT. IT'S EITHER NEUTRAL
6 OR POSITIVE. HOWEVER, SMURFIT, WE HAVE NOT
7 RECEIVED ANY COMMENTS FROM THEM YET, BUT THE REST
8 OF THEM DID COMMENT ON THIS REGULATION.

9 AFTER WE HAVE NOTIFIED SOME OF THE
10 INDUSTRIES TO SOLICIT THEIR INPUT, THERE WAS SOME
11 ORGANIZATION THAT EXPRESS INTEREST IN THIS
12 REGULATION AND, IN FACT, FELT THAT THEY SHOULD BE
13 NOTIFIED EARLIER. AND NEVERTHELESS STAFF FAX'D
OR
14 EITHER MAILED TO THEM, AND THEY WERE AMERICAN
15 FOREST AND PAPER ASSOCIATION, CALIFORNIA
NEWSPRINT

16 PUBLISHER ASSOCIATION, AND WEYERHAEUSER.

17 SO FAR WE HAVE NOT RECEIVED ANY
18 COMMENT FROM THEM, AND STAFF FELT WE DID NOT
HAVE
19 ENOUGH TIME TO REVIEW IT. BUT NEVERTHELESS IN
THE
20 RULEMAKING PROCESS, ALL THE INTERESTED OR
21 CONCERNED PARTIES WILL HAVE AN OPPORTUNITY TO

LOOK

22 AT THE REGULATION AND TO COMMENT ON IT AGAIN.

AND

23 THAT WOULD ALSO INCLUDE INDUSTRY THAT WE HAVE

24 NOTIFIED EARLIER.

25 AND WITH THIS, STAFF WOULD JUST
LIKE

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1 THE COMMITTEE TO APPROVE FOR STAFF TO FILE A
2 NOTICE OF PROPOSED RULEMAKING WITH OAL. AND IF
3 THERE'S ANY QUESTION, I'LL BE MORE THAN HAPPY TO
4 ANSWER THEM.

5 CHAIRMAN RELIS: OKAY. COMMENTS?
6 QUESTIONS?

7 MEMBER PENNINGTON: MR. CHAIRMAN, HOW
8 LONG HAS THE AMERICAN FOREST PRODUCT AND PAPER
9 ASSOCIATION AND CNPA HAD THE AND WEYERHAEUSER
HAD
10 THE DOCUMENTS?

11 MR. GUTTERRES: I BEG YOUR PARDON.

12 MEMBER PENNINGTON: HOW LONG AGO DID
YOU
13 CIRCULATE THIS DOCUMENT TO THE CNPA AND FOREST
14 PRODUCT ASSOCIATION?

15 MR. GUTTERRES: IN TERMS OF THE
AMERICAN
16 FOREST AND PAPER ASSOCIATION, WE HAVE VERBALLY
17 NOTIFIED THEM THE CONCEPT, NOT THE LANGUAGE
18 ITSELF.

19 MEMBER PENNINGTON: SO THEY HAVEN'T
SEEN
20 THE DOCUMENT?

21 MR. GUTTERRES: I HAVE FAX'D THE

DOCUMENT

22 TO THEM.

23 MS. TRGOVCICH: JOHN SMITH ATTENDS THE

24 QUARTERLY MEETINGS.

25 CHAIRMAN RELIS: COME TO THE PODIUM,

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1 JOHN.

2 MS. TRGOVCICH: MAYBE HE CAN SUMMARIZE
3 FOR YOU HIS INTERACTION WITH THEM.

4 MR. SMITH: I MEET WITH THE CALIFORNIA
5 WORKING GROUP, AND THEY MEET QUARTERLY. AND FOR
6 ABOUT A YEAR NOW WE'VE BEEN TALKING ABOUT THIS
7 CONCEPT.

8 WHAT HAPPENED WAS IS WE FORGOT TO
9 C.C. THEM WHEN WE SENT THE INFORMAL REGS OUT TO
10 THE INDIVIDUAL MANUFACTURERS, SO WE WOULD HAVE AT
11 LEAST ACCOMPLISHED THAT THEN. BUT THEY DID
12 RECEIVE COPIES LAST WEEK, AND ACTUALLY I GAVE A
13 PRESENTATION AT THEIR MEETING LAST WEEK.

14 I TALKED WITH KATHY LYNCH LAST
15 FRIDAY, AND SHE SAID THAT THEY SIMPLY HADN'T HAD
16 ENOUGH TIME TO LOOK AT THEM, BUT IN CONCEPT IT
17 LOOKED OKAY, BUT THEY HAD NOT FORMALLY HAD TIME
18 TO, YOU KNOW, GO THROUGH IT. I'M JUST TRYING TO
19 SAY THAT IT'S NOT A NEW IDEA TO MANUFACTURERS.

20 MEMBER PENNINGTON: WHAT ABOUT THE CNPA?

21 MR. SMITH: FRANCISCO COULD PROBABLY
22 BETTER RESPOND.

23 MEMBER CHESBRO: MR. NEWTON FROM THE
24 PUBLISHERS IS HERE.

25 CHAIRMAN RELIS: YES. WHY DON'T WE HEAR

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1 FROM MR. NEWTON. AND DO YOU HAVE A SLIP? HAVE
2 YOU HAD THE CHANCE TO --

3 MR. NEWTON: I DIDN'T INTEND TO SPEAK,
SO
4 I COULD FILL ONE OUT.

5 CHAIRMAN RELIS: WHY DON'T YOU JUST STAY
6 THERE, AND WE'LL NOT PUT YOU THROUGH THAT.

7 MR. NEWTON: WE RECEIVED A FAX VERSION
OF
8 THE REGULATORY --

9 CHAIRMAN RELIS: JUST FOR THE RECORD.

10 MR. NEWTON: TOM NEWTON, CALIFORNIA
11 NEWSPAPER PUBLISHERS ASSOCIATION. WE RECEIVED A
12 NOTICE OF THE MEETING AND THE BRIEF AGENDA ITEM
13 WHEN IT WAS MAILED OUT, AND THAT WAS THE FIRST WE
14 WERE APPRISED THAT ANY ISSUES ASSOCIATED WITH THE
15 REGULATIONS WOULD BE CONSIDERED BY THIS
COMMITTEE.

16 AND THE NEXT DAY, I BELIEVE IT WAS
17 ABOUT A WEEK AGO, WE RECEIVED A FAX VERSION OF
THE
18 PROPOSED CHANGES. WE HAVE NOT HAD A CHANCE TO
PUT
19 THOSE OUT TO OUR MEMBERS, BUT WE INTEND TO DO SO
20 AT OUR BOARD MEETING THAT'S GOING TO HAPPEN ON

THE

21 25TH OF THIS MONTH.

22 AND MY STAFF'S RECOMMENDATION WILL

23 BE TO FOLLOW THE LEAD OF THE MANUFACTURERS. AND

24 MY UNDERSTANDING AT THIS POINT IS THAT IF THERE'S

25 ANY PROBLEM AT ALL, IT'S JUST WITH THE DETAILS.

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1 AND, YOU KNOW, THERE'S REALLY NO CONTROVERSY
2 ASSOCIATED WITH THE TESTING THAT'S BEEN DONE BY
3 THE INDUSTRY SINCE THEY STARTED MAKING NEWSPRINT.

4 MEMBER CHESBRO: THIS IS THE NOTICE,
5 RIGHT? IF SOME OF THE DETAILS EMERGED AS
6 SOMETHING THAT EITHER THE PUBLISHERS OR THE
7 MANUFACTURERS WERE CONCERNED ABOUT, WE COULD
8 INCORPORATE THOSE.

9 MS. TRGOVCICH: THEY HAVE A MINIMUM RIGHT
10 NOW. ONCE WE GO TO FORMAL NOTICE, THEY WOULD HAVE
11 A MINIMUM OF A 45-DAY COMMENT PERIOD. THE
12 PROPOSED CHANGE PRINCIPALLY AFFECTS THE
13 MANUFACTURERS, AS MR. NEWTON STATED. IN THE
14 FUTURE, YOU KNOW, WE'VE TAKEN NOTES AROUND THOSE
15 INDIVIDUALS THAT WE NEED TO NOTIFY UP FRONT, AND
16 WE WILL BE DOING IT -- PROVIDING AT EVERY
17 OPPORTUNITY MORE ADVANCE NOTICE OF ANY ACTION OF
18 THIS NATURE.

19 CHAIRMAN RELIS: LET'S JUST MAKE SURE
20 THAT OUR MAILING LISTS DO NOT RELY ON ONE SOURCE
21 TO GET OUT TO EVERYBODY. I THINK THAT'S REALLY
22 IMPORTANT.

23 SECONDLY, I JUST HAVE A QUESTION IN
24 THE TESTING HISTORY HERE. WE'VE DONE TESTS;
25 THEY'VE DONE TESTS. WHAT HAS BEEN THE EXPERIENCE

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1 IN TERMS OF ANY DISCREPANCIES BETWEEN OUR TEST
2 RESULTS AND THE INDUSTRIES?

3 MR. GUTTERRES: GENERALLY SPEAKING,
4 THERE'S ALWAYS SOME DIFFERENCES, BUT THE
5 DIFFERENCES IS WITHIN THE TOLERANCE LEVEL BECAUSE
6 EACH TEST, THEY HAVE A CERTAIN AMOUNT OF
7 PERCENTAGE THAT IT COULD FLUCTUATE. AND IT'S
8 USUALLY AROUND THAT LEVEL. THAT'S WHY AFTER --
9 THAT'S THE REASON WHY STAFF FEEL THAT WE COULD USE
10 THE MANUFACTURER'S TEST DATA.

11 CHAIRMAN RELIS: BECAUSE THE MARGIN --
12 THE DIFFERENCES ARE VERY MINOR.

13 MR. GUTTERRES: THE DIFFERENCES ARE NOT
14 THAT LARGE.

15 MEMBER CHESBRO: I'M NOT ABSOLUTELY
16 CERTAIN, BUT I WOULD GUESS THAT AT THE TIME THIS
17 LEGISLATION WAS BEING NEGOTIATED, THAT SOMEONE
18 RAISED THE QUESTION, WELL, WHAT IF THERE'S
19 INADEQUATE QUALITY AVAILABLE, AND THAT THIS WAS
20 PUT IN THERE TO COVER THAT EVENTUALITY. BUT, IN
21 FACT, WITH THE POSSIBLE EXCEPTION, I UNDERSTAND,
22 OF THE STATE PRINTING OFFICE, THERE'S BEEN VERY
23 LITTLE IN THE WAY OF CLAIMS OR ANYBODY SAYING THAT
24 THERE'S NOT QUALITY PAPER AVAILABLE.

25 THE MANUFACTURERS HAVE CLEARLY PUT

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1 FORWARD A PRODUCT THAT MORE THAN MEETS THE
2 NECESSARY STANDARDS. SO IT SEEMS LIKE IT WAS A
3 GOOD PIECE OF INSURANCE TO PUT IN THE LEGISLATION,
4 BUT PROBABLY REALLY CONSTITUTES SORT OF A FAIL
5 SAFE OR A, YOU KNOW, ADDITIONAL PROTECTION IN CASE
6 THERE WERE EVER A QUALITY PROBLEM. SO I THINK
7 IT'S NOT A HUGE ISSUE, IT APPEARS TO ME.

8 CHAIRMAN RELIS: OKAY. WHAT'S THE
9 PLEASURE OF THE COMMITTEE?

10 MEMBER CHESBRO: I'D SAY LET'S GO AHEAD
11 AND NOTICE WITH OAL. I'LL MOVE THAT STAFF
12 RECOMMENDATION.

13 MEMBER PENNINGTON: I'LL SECOND THAT.

14 CHAIRMAN RELIS: OKAY. IT'S BEEN MOVED
15 AND SECONDED THAT THIS BE NOTICED AND AS A FORMAL.
16 WE WILL GO OUT TO RULEMAKING FOR THE REVISIONS.
17 CALL THE ROLL.

18 THE SECRETARY: MEMBER CHESBRO.

19 MEMBER CHESBRO: AYE.

20 THE SECRETARY: MEMBER PENNINGTON.

21 MEMBER PENNINGTON: AYE.

22 THE SECRETARY: CHAIRMAN RELIS.

23 CHAIRMAN RELIS: AYE. AND THIS DOES NOT
24 NEED TO GO TO THE FULL BOARD.

25 MS. TRGOVCICH: CORRECT. THE FULL BOARD

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1 WILL SEE IT WHEN THE REGULATIONS COME BACK BEFORE
2 THEM FOR ADOPTION.

3 CHAIRMAN RELIS: WELL, THAT COMPLETES ALL
4 OUR ITEMS EXCEPT DR. MENGE, WHO WE'LL HEAR ABOUT
5 YOUR ARRIVAL ODYSSEY. IT MUST HAVE INVOLVED A FEW
6 DELAYS. SO LET'S GET INTO THE PRESENTATION FROM
7 UC RIVERSIDE. WELCOME TO THE COMMITTEE AGAIN.

8 DR. MENGE: THANK YOU. THANK YOU FOR
9 INVITING ME TO SPEAK. LITTLE PREPARATION FIRST.
10 THANK YOU VERY MUCH FOR INVITING ME.

11 PAT ASKED ME TO TALK TO YOU ABOUT
12 OUR PROJECTS AT UCR WHERE WE'RE USING YARD
13 TRIMMINGS AS A MULCH FOR AVOCADO AND CITRUS. AND
14 I PREPARED A LITTLE BIT LONGER TALK THAN I GUESS
15 YOU WANT TO HEAR. SO I'LL TRY TO GO OVER IT
16 QUICKLY AND SKIP A FEW THINGS. IF YOU HAVE
17 QUESTIONS AS I GO ALONG, PLEASE FEEL FREE TO
18 INTERRUPT.

19 THE IDEA OF USING YARD TRIMMINGS ON
20 AVOCADO AND CITRUS IS AN IDEA THAT WE'VE HAD FOR A
21 NUMBER OF YEARS IN SOUTHERN CALIFORNIA. MYSELF
22 AND A NUMBER OF FARM ADVISORS HAVE BEEN WORKING ON
23 THIS PROJECT FOR A NUMBER OF YEARS ALREADY. AND
24 APPARENTLY IT'S THE SAME IDEA THAT MANY OF YOU
25 HAVE AS WELL.

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1 THE IDEA THAT WE CAN USE THESE YARD
2 TRIMMINGS AS A MULCH TO BENEFIT THE ROOT HEALTH
OF
3 CITRUS AND AVOCADO CROP, AND AT THE SAME TIME WE
4 COULD BE UTILIZING THESE YARD WASTES INSTEAD OF
5 SENDING THEM TO LANDFILLS. AND IT'S A MARRIAGE
OF
6 URBAN AND AGRICULTURAL NEEDS, AND IT'S VERY
7 UNUSUAL, AND WE DON'T USUALLY HAVE THOSE KINDS OF
8 MARRIAGES. AND BOTH SEGMENTS OF THE POPULATION
9 WOULD BENEFIT FROM THIS, SO WE THINK IT'S A NO
10 LOSE PROPOSITION.

11 CHAIRMAN RELIS: YOU HAVE BROKEN THE
12 WIN-WIN SYNDROME, THE NO LOSE.

13 DR. MENGE: THERE'S ABOUT 275,000 ACRES
14 OF CITRUS, AND ABOUT 190,000 OF THOSE ACRES ARE
IN
15 SOUTHERN CALIFORNIA. HAVING A LITTLE TROUBLE
16 SEEING THIS. 109,000 ACRES IN SOUTHERN
17 CALIFORNIA.

18 IF THE ENTIRE ACREAGE IS TREATED --
19 I CAN'T QUITE READ WHAT THAT SAYS.

20 CHAIRMAN RELIS: THERE IT IS, EIGHT
21 MILLION.

22 DR. MENGE: EIGHT MILLION CUBIC YARDS OF

23 MATERIAL WE COULD USE. AND RIGHT NOW THEY
24 WOULDN'T TREAT THAT MUCH. THEY WOULDN'T USE THAT
25 MUCH MATERIAL AT THE PRESENT TIME. AND SO IT

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1 WOULD BE A CONSIDERABLY LESS AMOUNT THAT WOULD BE
2 USED AT THE CURRENT TIME. AND THAT'S ONE OF THE
3 REASONS FOR THE RESEARCH, TO TRY TO INDUCE THEM TO
4 UTILIZE A LOT MORE OF THE MATERIAL.

5 THE AVOCADO ACREAGE IS ABOUT 68,000
6 ACRES, AND ALL OF THAT IS IN SOUTHERN CALIFORNIA.
7 AND IF YOU TREATED ALL THAT ACREAGE, IT WOULD BE
8 ABOUT 1.2 MILLION CUBIC YARDS. AND AT THE PRESENT
9 TIME WE CAN ONLY TREAT ABOUT 60 PERCENT OF THE
10 ACREAGE BECAUSE THAT'S THE AMOUNT THAT HAS THIS
11 ROOT ROT DISEASE THAT WE'RE TRYING TO IMPROVE.

12 CHAIRMAN RELIS: DO YOU HAVE ANY KIND OF
13 CONVERSION FACTOR FROM CUBIC YARDS TO TONS?

14 DR. MENGE: YEAH. IT'S ABOUT 50 PERCENT,
15 ABOUT HALF AS MANY TONS AS CUBIC YARDS.

16 AT ANY RATE, THERE'S A GREAT DEAL OF
17 ACREAGE. AND IF WE USED ALL OF THE ACREAGE, WE
18 COULD JUST ABOUT GET RID OF ALL THE YARD WASTE
19 THAT WE HAVE AVAILABLE IN CALIFORNIA.

20 SOME OF THE BENEFITS OF MULCHING,
21 THE -- THESE ARE GENERAL BENEFITS OF MULCHING. WE
22 TALK ABOUT THESE TO THE GROWERS FOR ALL CROPS. IT
23 PREVENTS CRESTING AND WATER RUNOFF, IT IMPROVES
24 WATER PENETRATION. THIS IS A MAJOR PROBLEM

FOR
25 MANY OF OUR GROWERS, ESPECIALLY THOSE IN THE

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1 CENTRAL VALLEY. ALSO, MULCHING CAN CONSERVE
2 WATER. THERE'S A MUCH GREATER WATER HOLDING
3 CAPACITY IF YOU MULCH THE SOIL. IT REDUCES THE
4 SOIL TEMPERATURES SO THAT THE CROPS WILL GROW
5 BETTER. PROVIDES SUBSTANTIAL NUTRITION. YOU CAN
6 ACTUALLY SUBSTITUTE MUCH OF THIS MULCH FOR MANY
7 FERTILIZERS, AND IT PROVIDES A SLOW RELEASE
8 FERTILIZER.

9 CHAIRMAN RELIS: COULD WE STOP THERE FOR
10 A MINUTE BECAUSE I HAVE A QUESTION. THERE WAS A
11 MEETING -- TRYING TO REMEMBER WHICH ONE I WAS AT.
12 ANYWAY, THE POINT WAS MADE THAT WHEN IT COMES TO
13 UC EXTENSION OR UC CAMPUSES, EXPERTS LIKE
14 YOURSELF, WHEN THESE TYPES OF COMMENTS ARE MADE,
15 THERE'S STILL A WIDE GAP BETWEEN WHEN A RESEARCHER
16 IS PREPARED TO MAKE DEFINITIVE STATEMENTS VERSUS,
17 I GUESS, CONTEXTUAL.

18 HOW COULD YOU -- WHAT COULD YOU TELL
19 US ABOUT THAT IN TERMS OF THE RESEARCH THAT YOU DO
20 AND WHEN YOU REACH A POINT WHERE YOU MAKE THAT
21 CROSSOVER BASED ON YOUR RESEARCH?

22 DR. MENGE: SURELY. THAT'S A GOOD
23 QUESTION, AND I WILL -- THESE ARE GENERAL
24 STATEMENTS, AS I'VE SAID. AND I'LL SHOW YOU SOME
25 DATA IN A MINUTE THAT I'LL BE PREPARED TO STAND

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1 BEHIND AND MAKE HARD RECOMMENDATIONS FROM. WE DO
2 HAVE THAT SORT OF DATA ALREADY. AND CERTAINLY IN
3 THE NEXT COUPLE OF YEARS, WE'LL BE GATHERING MORE
4 OF IT, BUT WE'RE ALREADY PREPARED TO, I THINK, TO
5 MAKE SOME HARD RECOMMENDATIONS TO GROWERS AS TO
6 HOW MUCH FERTILIZER THEY CAN SAVE AND SO FORTH.

7 ANOTHER POSSIBILITY WOULD BE THE
8 REDUCTION OF WEED GROWTH. IT'S A SUBSTITUTE FOR
9 HERBICIDES, AND IT CAN REDUCE THE AMOUNT OF
10 HERBICIDE APPLICATIONS.

11 SOME OF THESE MULCHES CAN REDUCE
12 DISEASES. I'LL TALK A LITTLE BIT MORE ABOUT THAT
13 IN A MOMENT. AND BECAUSE THESE MULCHES CAN REDUCE
14 THE AMOUNT OF HERBICIDE USE AND THE AMOUNT OF
15 FERTILIZER USE AND THE AMOUNT OF FUNGICIDE USE, IT
16 REDUCES GROUNDWATER CONTAMINATION. ANOTHER
17 WIN-WIN SITUATION.

18 IT IMPROVES ROOT GROWTH FOR MANY OF
19 THESE CROPS. AND SPECIFICALLY FOR AVOCADO AND
20 CITRUS. NOW, THOSE ARE TREE CROPS. THOSE CROPS
21 ARE USED TO GROWING WITH A MULCH OVER THE TOP OF
22 THEIR ROOTS. AND THE -- IT'S CALLED A LITTER
23 LAYER IN THE FOREST WHERE THESE TREES ARE NATIVE.
24 AND WHAT WE'RE DOING IS ACTUALLY ADDING A LITTER
25 LAYER WITH THE USE OF THESE MULCHES TO OUR CROPS

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1 IN CALIFORNIA. SO IT ACTUALLY PROVIDES THE PROPER
2 HABITAT FOR THE ROOTING STRUCTURE OF THESE TREES.

3 SO THE DISADVANTAGES, THEN, OF THE
4 MULCHES, THESE ARE THE THREE MAIN DISADVANTAGES
5 THAT WE HAVE TO DISCUSS WITH GROWERS. FIRST OF
6 ALL, IT INCREASES THE RISK OF FROST DAMAGE. AS
7 MANY OF YOU KNOW, THE SOIL WILL STORE HEAT IN THE
8 WINTERTIME. IF YOU COVER IT OVER WITH A LAYER OF
9 MULCH, THAT LAYER OF HEAT CANNOT BE RELEASED AT
10 NIGHT, AND SO YOU INCREASE YOUR DANGER OF FROST.

11 AND THIS GREATLY REDUCES THE AMOUNT
12 OF MULCH THAT WE CAN PUT ON CITRUS AND AVOCADO
13 GROVES. AND THAT INDICATION THERE AT THE VERY END
14 OF THAT SLIDE WHERE I SHOWED MAXIMUM AMOUNT YOU
15 COULD USE, I DON'T DOUBT THAT WE'LL EVER GET THERE
16 BECAUSE WE CAN ONLY PUT THE MULCHES UNDERNEATH THE
17 TREES, SO THE AREA BETWEEN THE TREES CAN RADIATE
18 THAT HEAT IN THE WINTERTIME.

19 MEMBER CHESBRO: HOPEFULLY WE'LL FIND
20 OTHER MULCH AND COMPOST USES TO HELP TAKE UP THE
21 YARD WASTE SUPPLY. WON'T DEPEND ENTIRELY ON THE
22 ORANGE AND AVOCADO CROPS FOR ABSORBING IT. BUT IF
23 IT CAN ABSORB EVEN A MODEST PERCENTAGE, IT WOULD
24 BE A HUGE ACHIEVEMENT FOR CALIFORNIA.

25 DR. MENGE: AND THE COST IS ALSO A

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1 PROBLEM TO MOST GROWERS. MOST GROWERS DO NOT LIKE
2 TO PAY A LOT FOR THE MULCH, AND THAT'S A MAJOR
3 INHIBITORY FACTOR AT THE PRESENT TIME, AND ONE
4 WE'RE TRYING TO OVERCOME SOMEWHAT.

5 AND THEN THE LAST OF THESE THREE
6 DISADVANTAGES: THE LACK OF MACHINERY FOR
7 APPLICATION. AND WITH THE HELP OF THE BOARD AND
8 WITH THE HELP OF THE GRANT THAT WE'RE APPLYING
9 FOR, CITY OF SAN DIEGO IS APPARENTLY GOING TO BUY
10 ONE OF THESE MACHINES THAT WE CAN ACTUALLY USE IN
11 DEMONSTRATIONS AND SHOW GROWERS THAT THIS CAN BE
12 DONE ECONOMICALLY, AND THAT THIS WILL NO LONGER BE
13 A DISADVANTAGE FOR APPLYING THESE MULCHES.

14 PERHAPS I BETTER SPEAK QUICKLY
15 WITHOUT USING THE SLIDES THEN. WHAT WE DID IN
16 RIVERSIDE, AS SOON AS WE STARTED WORKING ON THIS
17 PROJECT, WAS TO LOOK AT ABOUT 20 DIFFERENT MULCHES
18 THAT WE SELECTED FROM ALL OVER CALIFORNIA WASTE
19 MATERIALS. AND WE USED THOSE MULCHES IN THE
20 GREENHOUSE ON BOTH CITRUS AND AVOCADO, AND WE CAME
21 UP WITH TWO DIFFERENT STORIES ESSENTIALLY.

22 THE CITRUS TREE DOES NOT LIKE
23 MULCHES VERY WELL. AND IN FACT, THE DATA
24 INDICATES THAT THE TREE WILL DO JUST AS WELL
25 WITHOUT MULCHES AS IT DOES WITH ANY OF THE

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1 MULCHES. THE BEST THING WE CAN SAY ABOUT THE USE
2 OF MULCHES SO FAR IS THAT AT LEAST THE MULCHES
3 DON'T HURT THE CITRUS. AND WHAT THIS SLIDE WAS
4 GOING TO SHOW WAS THAT THERE WERE A NUMBER OF
5 MULCHES THAT DON'T DAMAGE CITRUS, AND THOSE ARE
6 THE YARD TRIMMINGS THAT WE'RE USING IN OUR --

7 MEMBER CHESBRO: WHICH MULCHES DO THE
8 CITRUS NOT LIKE? YOU SAID --

9 DR. MENGE: THE ONES THAT CITRUS DON'T
10 LIKE ARE HIGH NITROGEN MULCHES, THINGS THAT -- WE
11 HAD PEANUT HULLS, WE HAD ALMOND HULLS THAT
12 ACTUALLY KILLED THE TREES ACTUALLY.

13 MEMBER CHESBRO: I'VE BEEN EXPERIMENTING
14 WITH MY OWN CITRUS, SO I HAVE A PERSONAL INTEREST
15 IN THIS. I HAVE TWO ORANGE TREES AND A
GRAPEFRUIT

16 TREE, SO I DON'T WANT TO KILL THEM.

17 DR. MENGE: SO THE POINT IS THAT THERE
18 ARE SOME MULCHES. WE CAN'T JUST GO AROUND
SAYING

19 ANY MULCH IS A GOOD MULCH.

20 MEMBER CHESBRO: BUT THE NITROGEN
CONTENT

21 SEEMS TO BE --

22 DR. MENGE: NITROGEN CONTENT SEEMS TO

BE

23 THE MOST -- PRODUCES AMMONIA GAS, AND THERE'S A

24 BIG FLUSH OF THAT THAT COMES OFF SHORTLY AFTER

YOU

25 APPLY THE MULCH, AND THAT CAN DAMAGE THE ROOTS.

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1 CHAIRMAN RELIS: SO YOU WOULDN'T WANT
2 GREEN GRASS.

3 DR. MENGE: YOU DON'T WANT TO HAVE --
4 GREEN GRASS WAS ANOTHER ONE THAT IS VERY
DAMAGING,

5 BUT THERE'S ALSO A PROBLEM WITH THAT IN THAT IT
6 MATS UP AND INHIBITS THE WATER FLOW. SO THERE'S
A

7 TWOFOOLD PROBLEM WITH THAT. THAT'S ANOTHER ONE
8 THAT IS QUITE DAMAGING.

9 MEMBER CHESBRO: BUT OTHERWISE PRUNINGS
10 AND CHIPPED UP BRANCHES AND LEAVES AND THINGS
LIKE
11 THAT ARE OKAY.

12 DR. MENGE: ACTUALLY GRASS IS FINE IF
YOU
13 MIX IT IN WITH THAT PRODUCT. A CERTAIN AMOUNT
14 OF -- YOU WANT A CERTAIN AMOUNT OF NITROGEN IN
15 YOUR MULCH, SO YOU CAN MIX IN THE GRASS AT ABOUT
A
16 THIRD OF THE MATERIAL AND IT'S FINE AT THAT
RATE.

17 SO THE POINT IS THAT THERE ARE SOME MULCHES THAT
18 ARE NOT GOOD, BUT OTHER MULCHES THAT ARE, AND
19 AMONG THE BEST THAT WE FOUND SO FAR FOR CITRUS

ARE

20 THE YARD TRIMMINGS.

21 MEMBER CHESBRO: IF YOU HAVE ANY OF
THESE

22 AVAILABLE IN HARD COPY, IT WOULD BE GREAT TO GET
A

23 COPY.

24 DR. MENGE: I CAN DO THAT.

25 MEMBER CHESBRO: NOT TODAY NECESSARILY,

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1 BUT IT WOULD JUST BE NICE TO -- IF STAFF CAN GET
2 THAT FROM YOU AND PROVIDE IT TO US. I'D LOVE TO
3 SEE THE NUMBERS.

4 DR. MENGE: THE EFFECT OF MULCHES ON
5 GROWTH AND YIELD OF CITRUS IN THE FIELD, AS I'VE
6 INDICATED, WE DON'T HAVE VERY GOOD DATA SO FAR.
7 THE MULCHES DO NOT SEEM TO INCREASE YIELD OF
8 CITRUS GREATLY. AND THAT'S ONE OF THE DRAWBACKS
9 THAT WE'VE BEEN HAVING WITH THE GROWERS. THEY'RE
10 NOT OVERLY EXCITED ABOUT THE YIELD INCREASE. WE
11 HAVEN'T SEEN ANY YIELD DECREASES, BUT WE HAVEN'T
12 SEEN GREAT YIELD INCREASES.

13 AND JUST RECENTLY, THOUGH, WITHIN
14 THE LAST THREE OR FOUR MONTHS, WE'VE GOTTEN OUR
15 FIRST POSITIVE RESULT FROM A GROVE IN OJAI,
16 CALIFORNIA, WHERE WE ACTUALLY HAVE INCREASED THE
17 YIELD OF CITRUS RATHER SUBSTANTIALLY WITH OUR YARD
18 WASTE MATERIAL, AND THAT'S AFTER THREE YEARS. SO
19 MANY OF OUR TRIALS NOW ARE RIGHT AT THREE YEARS OF
20 AGE, AND WE EXPECT THAT WE'LL SEE MORE GROWTH
21 INCREASES AS WE GO ALONG.

22 CHAIRMAN RELIS: WHAT DO YOU CONSIDER TO
23 BE THE TIME FRAME YOU NEED TO REACH CONCLUSIONS
24 WHEN YOU TAKE ON FIELD --

25 DR. MENGE: MY EXPERIMENTS ARE SET UP TO

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1 LAST FOR SEVEN YEARS. MANY PEOPLE WHO WORK WITH
2 COMPOST AND MULCHES BELIEVE THAT IT EVEN TAKES A
3 LONGER TIME. I THINK IN SEVEN YEARS WE CAN COME
4 TO A REASONABLE CONCLUSION. THREE YEARS USUALLY
5 IS ABOUT THE TIME THAT YOU CAN TURN A CITRUS TREE
6 AND AVOCADO TREE AROUND, AND YOU CAN SEE RESULTS
7 START TO OCCUR ABOUT THREE YEARS, AND THEN FROM
8 THREE TO SEVEN YEARS IS WHEN YOU TAKE MOST OF YOUR
9 DATA.

10 THE EFFECT OF MULCHES ON THE
11 NUTRITION OF CITRUS. AGAIN, THERE HAVE BEEN SOME
12 COMPLAINTS THAT WHEN YOU PUT THESE MULCHES DOWN,
13 THEY ROB THE SOIL OF NITROGEN. IN OTHER WORDS,
14 THE NITROGEN IS ABSORBED IN THE MULCH AND YOU HAVE
15 TO ADD MORE NITROGEN. AND WE DID SEE THAT IN A
16 COUPLE OF GROVES FOR THE FIRST TWO YEARS, BUT NOW
17 AGAIN AFTER THE THIRD YEAR, ALL OF A SUDDEN THESE
18 MULCHES ARE STARTING TO RELEASE NITROGEN. AND I
19 HAD DATA HERE. I DON'T THINK WE CAN SEE IT VERY
20 EASILY, BUT THAT WILL SHOW DEFINITELY THAT WE
21 ARE ADDING NITROGEN SO THAT THERE IS A CERTAIN
22 AMOUNT OF NITROGEN AFTER THE THIRD YEAR THAT
23 MULCHES WILL BE PROVIDED FOR THE TREES, AND WE
CAN
24 DOCUMENT EXACTLY HOW MUCH THAT IS AND HOW MUCH
25 THAT IS A SAVINGS FOR THE GROWER.

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1 ONE OF THE BIG, MOST EXCITING NEW
2 INFORMATION THAT WE'VE JUST GOTTEN, JUST HAD THIS
3 ANALYZED A WEEK OR TWO AGO, IS THAT WE'RE GETTING
4 A REDUCTION IN BORON IN TREES. BORON IS A TOXIC
5 MATERIAL THAT CAUSES A GREAT DEAL OF TROUBLE WHEN
6 IT'S PRESENT IN THE WATER. AND ONE OF THE BIG
7 AREAS WHERE THAT IS OCCURRING IS IN VENTURA
8 COUNTY. THERE'S AN ENORMOUS AREA THERE WHERE THE
9 BORON IS LITERALLY PUTTING THE GROWERS OUT OF
10 BUSINESS.

11 AND IF WE CAN SHOW A DRAMATIC
12 REDUCTION IN THE AMOUNT OF BORON THROUGH THE USE
13 OF THESE MULCHES, THAT'S GOING TO BE A TREMENDOUS
14 BOON TO USING THESE MULCHES. MANY, MANY GROWERS
15 ARE GOING TO BE USING IT, I BELIEVE, BASED ON THE
16 DATA THAT WE'RE SHOWING THAT WE'LL GET QUITE
17 SUBSTANTIAL REDUCTIONS.

18 HERE IT IS RIGHT HERE. YOU CAN
19 ACTUALLY SEE THIS SLIDE FOR SOME REASON. YOU CAN
20 SEE THAT THE MULCHES ARE REDUCING THE BORON LEVELS
21 ALMOST A THIRD, WHICH IS PRETTY EXCITING.

22 IT ALSO SHOWS -- THE QUESTION YOU
23 ASKED EARLIER ABOUT WHEN WOULD I BE WILLING TO
24 MAKE STATEMENTS. WELL, IF YOU LOOK AT THE
25 NITROGEN, THESE ARE THE LEAF NITROGENS OF CITRUS

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1 TREES. AND YOU NEED -- YOU ONLY NEED ABOUT 2.4
2 PERCENT NITROGEN TO HAVE A GOOD CROP. SO WE'RE
3 GETTING EXCESS NITROGEN, AND THAT'S BECAUSE HE'S
4 FERTILIZING AT THE REGULAR RATES. SO WE COULD
5 REDUCE -- PROBABLY FOR ABOUT TWO YEARS HE COULD
6 PROBABLY GO WITHOUT FERTILIZING.

7 CHAIRMAN RELIS: HE'S BANKED NITROGEN.

8 DR. MENGE: HE'S BANKING NITROGEN BECAUSE
9 WE'RE ADDING THE MULCH.

10 AND THAT'S JUST ANOTHER SLIDE ALSO
11 SHOWING INCREASES IN NITROGEN LEVELS WITH MULCHES.

12 CHAIRMAN RELIS: WHAT WOULD BE THE DRAW
13 DOWN PER YEAR ROUGHLY OF, YOU SAY, 2, 2.4.

14 DR. MENGE: IT'S ABOUT .2 PERCENT.

15 CHAIRMAN RELIS: OH, .2.

16 DR. MENGE: .2 PERCENT THAT THEY WOULD
17 USE EVERY YEAR. SO WHEN YOU GET BELOW 2.4, THEN
18 WE SHOULD BE FERTILIZING. SO THESE ARE QUITE
19 HIGH
20 LEVELS.

21 THE EFFECT OF CITRUS ON -- MULCHES
22 ON WATER RELATIONS. ONE OF THE THINGS THAT I
23 MENTIONED EARLIER IS IT CAN INCREASE THE
24 PERMEABILITY OF THE SOIL. SO BY ADDING THE
25 MULCHES, WE CAN GET BIG EFFECTS OF WATER
26 PERCOLATION INTO THE SOIL. AND THAT'S, AS I

SAID,

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1 IS A MAJOR PROBLEM WITH MANY GROWERS. SO RIGHT
2 NOW THE GROWERS THAT ARE USING MULCHES ARE DOING
3 IT MAINLY FOR THIS REASON.

4 AND THAT SLIDE THAT DIDN'T SHOW WELL
5 IN THERE, WHAT THAT WAS INDICATING IS THAT WE'RE
6 GETTING ABOUT A 40-PERCENT SAVINGS OF WATER USE
7 WITH MULCHES ON YOUNG TREES. SO THE GROWERS CAN
8 PUT ON ABOUT 40 PERCENT LESS WATER IF THEY DO
9 MULCH. THAT'S AN ENORMOUS SAVINGS FOR GROWERS.

10 NOW, WITH OLDER TREES IT ISN'T QUITE
11 SO GOOD BECAUSE MOST OF THE WATER LOSS IN OLDER
12 TREES IS THROUGH THE LEAVES. AND SO THERE ISN'T A
13 GREAT SAVINGS OF WATER. BUT FOR YOUNG TREES, UP
14 TO ABOUT 15 YEARS OF AGE, THE MULCHES ARE SAVING A
15 GREAT DEAL OF WATER. AND WITH OUR WATER SHORTAGE
16 PROBLEMS, THIS IS A GREAT SELLING POINT TO MANY
17 GROWERS AS WELL.

18 THE WEED CONTROL, THIS SLIDE JUST
19 SHOWS AS THE MULCH INCREASES IN DEPTH, THE BETTER
20 WEED CONTROL WE GET. WE NEED ABOUT A MINIMUM OF
21 ABOUT 3 INCHES OF MULCH IN ORDER TO CONTROL WEEDS,
22 BUT WE DO GET VERY GOOD WEED CONTROL WITH MULCHES
23 AS WELL. AND THAT'S A HARD FIGURE, I THINK.

24 EFFECT OF MULCHES ON CITRUS ROOT
25 DISEASE. THAT'S THE MAJOR DRAWBACK THAT WE'VE

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1 BEEN HAVING, AND THAT IS THAT THE MULCHES DO SEEM
2 TO INCREASE THE PHYTOPHTHORA DAMAGE, WHICH IS THE
3 MAJOR ROOT DISEASE. AND THAT'S WHAT'S MAINLY
4 HOLDING BACK OUR USING MULCHES ON A WIDE SCALE FOR
5 CITRUS.

6 NOW, I'LL JUST SKIP. THIS IS --
7 PART OF OUR RESEARCH PROJECT IS TO BIO-ENHANCE
8 THESE MULCHES, AND WE THINK WE CAN MAKE A PRODUCT
9 THAT WILL BE USEFUL TO MANY PEOPLE IN CALIFORNIA
10 PRODUCING THESE MULCHES. I WON'T GO INTO DETAIL
11 ABOUT THAT.

12 MEMBER CHESBRO: IS THAT SOME KIND OF
13 INOCULATION?

14 DR. MENGE: YES. IT'S INOCULATING THE
15 MULCHES WITH BENEFICIAL ORGANISMS. IT PROVIDES AN
16 IDEAL FOOD SOURCE FOR MANY OF THESE ORGANISMS.

17 CHAIRMAN RELIS: SO THAT WOULD BE AN IPM,
18 INTEGRATED PEST MANAGEMENT, STRATEGY?

19 DR. MENGE: YES. IT WOULD BE A DELIVERY
20 MECHANISM FOR THESE BIOCONTROLLED ORGANISMS, AND
21 ALSO PROVIDES THE FOOD BASE FOR THEM. YOU CANNOT
22 REALLY INOCULATE THEM WITHOUT A FOOD SOURCE. THIS
23 WAS THE MAIN REASON FOR ME GETTING INVOLVED IN IT.
24 IT DOES WORK VERY WELL.

25 LET'S TALK JUST A LITTLE BIT ABOUT

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1 AVOCADO AND THEN I'LL QUIT. AVOCADO ROOT ROT IS A
2 MAJOR PROBLEM IN CALIFORNIA. IT'S THE LIMITING
3 FACTOR ON GROWTH OF AVOCADOS IN CALIFORNIA.

4 AND THE MULCHES ARE OF BENEFIT
5 TOWARDS REDUCING THE ROOT ROT. NOW, I JUST GOT
6 THROUGH SAYING THAT IT INCREASES ROOT ROT IN
7 CITRUS, BUT IT REDUCES IT IN AVOCADO. AND THAT'S
8 ANOTHER POINT THAT WE NEED TO MAKE IS WE LOOK AT
9 THIS ON A CROP-BY-CROP BASIS. AND FOR SOME REASON
10 AVOCADOS LIKE MULCHES MUCH BETTER THAN CITRUS DO.
11 THEY RESPOND BETTER. ALMOST ALL OF THE MULCHES
12 ENHANCE AVOCADO GROWTH; WHEREAS, THE CITRUS, AS I
13 JUST GOT THROUGH SAYING, THEY DON'T RESPOND NEARLY
14 AS WELL.

15 THIS IS A SLIDE THAT I TOOK IN
16 AUSTRALIA A NUMBER OF YEARS AGO. AND THIS IS A
17 SPECIAL TECHNIQUE CALLED THE ASH BURNER METHOD.
18 IF YOU LOOK THERE, YOU SEE A PILE OF MULCH AROUND
19 THAT AVOCADO TREE ABOUT 4 FEET HIGH. AND THAT
20 METHOD WILL CONTROL THE AVOCADO ROOT ROT DISEASE,
21 WHICH IS DEVASTATING. AND THAT'S WHAT INSTIGATED
22 OUR RESEARCH HERE IN CALIFORNIA. SEE IF WE CAN
23 GET THE SAME EFFECT AND, INDEED, WE ARE GETTING A
24 VERY SIMILAR EFFECT.

25 WE DON'T GENERALLY PILE ON MULCHES 4

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1 FEET HIGH HERE BECAUSE THEY HAVE ABOUT A HUNDRED
2 AND FOUR INCHES IN THIS AREA OF AUSTRALIA, AND
3 THAT 4 FEET WILL ONLY LAST A COUPLE OF YEARS. WE
4 CAN PILE IT ABOUT A FOOT HIGH HERE THOUGH AND GET
5 SIMILAR RESULTS.

6 CHAIRMAN RELIS: IS THAT A WIDESPREAD
7 PRACTICE IN AUSTRALIA?

8 DR. MENGE: IT'S A WIDESPREAD PRACTICE IN
9 AUSTRALIA, AND IT'S BECOMING A WIDESPREAD PRACTICE
10 HERE. NEARLY EVERY AVOCADO GROVE THAT IS
11 REPLANTING IN SOUTHERN CALIFORNIA TODAY IN AN AREA
12 THAT HAS GONE OUT WITH ROOT ROT IS USING A MULCH,
13 AND USING A FAIRLY SUBSTANTIAL AMOUNT OF MULCH.
14 AND THIS IS JUST ONE OF OUR TRIALS HERE WITH THE
15 KIND OF MULCHES THAT WE ARE USING VERY SIMILAR
16 TO
17 THAT ASH BURNER METHOD IN AUSTRALIA, AND IT'S
18 WORKING VERY WELL.

19 AND THIS IS JUST AGAIN SOME DATA
20 SHOWING THAT WITH AVOCADOS THE MULCHES DO WORK
21 BETTER, MANY MULCHES THAT AID AVOCADO GROWTH IN
22 CONTRAST TO CITRUS WHERE THERE WEREN'T ANY.

23 THE EXPERIMENTS THAT WE HAVE SET
UP
AT RIVERSIDE WITH AVOCADO INDICATE THAT BY USING

24 SOME OF THESE MULCHES, WE CAN ENHANCE YIELD OF
25 AVOCADO TREES THREEFOLD, INCREASE THE YIELD
THREE

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1 TIMES. AND AS A RESULT, THERE ARE VERY FEW
2 GROWERS THAT ARE NOT GOING TO JUMP AT THAT. AND
3 THAT'S ONE OF THE REASONS IT'S ENJOYING SUCH A
4 WIDESPREAD USE.

5 CHAIRMAN RELIS: BASED ON -- WE'LL GET
6 INTO THIS PERHAPS MORE AS YOUR RESEARCH UNFOLDS.
7 BUT IF YOU'RE LOOKING A WATER SAVINGS OF THAT
8 MAGNITUDE, THREEFOLD YIELD INCREASE, POSSIBLY LESS
9 USE OF NITROGEN, AND THEN A BARRIER IS THE COST OF
10 THE MULCH, HOW DO I UNDERSTAND THAT?

11 DR. MENGE: THE BARRIER IS -- IN AVOCADOS
12 THERE IS NO BARRIER. THESE FIGURES THAT YOU JUST
13 READ OFF, THE INCREASE IN YIELD, DISEASE
14 SUPPRESSION, SAVINGS OF WATER, THE AVOCADO GROWERS
15 ARE BUYING IT.

16 CHAIRMAN RELIS: SO I MEAN THAT SHOULD
17 HAVE A FULL AND VIGOROUS MARKET WITHOUT ANY --

18 DR. MENGE: AGAIN, NOW, THAT'S ONLY IN
19 THE GROVES THAT HAVE THIS PHYTOPHTHORA PROBLEM.
20 AND IN FACT, THERE'S A PROBLEM WITH PUTTING
21 MULCHES INTO GROVES THAT DON'T HAVE PHYTOPHTHORA
22 BECAUSE THE GROWERS ARE SO WORRIED THAT MULCHES
23 MAY CARRY THE DISEASE WITH IT. SO IT'S ONLY IN
24 THE GROVES THAT DO HAVE PHYTOPHTHORA. THAT'S
25 ABOUT 60 PERCENT OF THE ACREAGE OF AVOCADO IN

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1 SOUTHERN CALIFORNIA. SO IT IS A SUBSTANTIAL
2 PORTION OF OUR AVOCADO GROWERS THAT ARE GOING TO
3 USE THIS WITHOUT QUESTION.

4 THE CITRUS IS A DIFFERENT STORY
5 THOUGH. WE'RE NOT -- WE'RE GETTING ACTUALLY MORE
6 DISEASE WITH PHYTOPHTHORA. WE'RE NOT GETTING THE
7 YIELD INCREASES. AND AS I SAID BEFORE, THE WATER
8 SAVINGS IS ONLY ON YOUNG TREES. SO IT'S A MUCH
9 HARDER SELL TO CITRUS GROWERS THAN AVOCADO
10 GROWERS.

11 MEMBER CHESBRO: IS THERE RESEARCH OR
12 EVIDENCE OF THE MULCH ACTUALLY INCREASING THE
13 PHYTOPHTHORA, OR IS THAT JUST FEAR OR
SPECULATION?

14 DR. MENGE: NO. I HAVE DATA THAT SHOWS
15 THAT SOME MULCHES WILL ACTUALLY INCREASE THE
16 PHYTOPHTHORA. AND WE DON'T HAVE GOOD DATA YET
17 THAT YARD WASTE WILL DO THAT. IN FACT, YARD
WASTE

18 IN SEVERAL OF THE GROVES HASN'T INCREASED IT.
BUT

19 SEVERAL OF THE OTHER SIMILAR MULCHES, FOR
20 INSTANCE, THERMOCOMPOST, WHICH IS A SEWAGE
SLUDGE

21 PRODUCT, INCREASES IT ABOUT THREEFOLD, AND SO

THAT

22 SCARES GROWERS.

23 I 'M TALKING TOO LONG.

24 MEMBER CHESBRO: I 'M ENJOYING IT.

25 DR. MENGE: THIS IS JUST A SLIDE HERE

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1 SHOWING ROOTS UNDERNEATH -- THIS IS ROOT ROT
2 ORCHARD NOW WHERE TREES ARE DYING FROM ROOT ROT,
3 AND THIS IS UNDERNEATH A MULCH WHERE WE PULLED
THE
4 MULCH AWAY, AND THESE ARE THE LAYER OF ROOTS
THAT
5 GROWS RIGHT UP INTO THE MULCH. IT'S VERY
6 STRIKING.

7 CHAIRMAN RELIS: AND THOSE ROOTS --
NOW,
8 USUALLY ROOTS DON'T THRIVE WELL WHERE THERE'S
9 CONTACT WITH OXYGEN OR THEY'RE EXPOSED, BUT IN A
10 MULCH ENVIRONMENT, THEY'RE BUFFERED AND THEY
DON'T
11 DRY OUT AND DIE?

12 DR. MENGE: WELL, WE'VE HAD SOME
PROBLEMS
13 WITH THAT. AND THAT IS A CONCERN TO US, AND
14 THAT'S ONE OF THE THINGS WE NEED TO FOLLOW UP A
15 BIT. IN SEVERAL OF OUR ORCHARDS WHERE WE PUT ON
16 MULCHES, AND BECAUSE YOU IRRIGATE THEM, IT'S
HOT,
17 THE MULCHES WOULD BREAK QUICKLY. SO WE GET THIS
18 BEAUTIFUL PRODUCTION OF ROOTS IN THE SPRING, AND
19 IN AUGUST AND SEPTEMBER, WHEN THE MULCH IS

20 PARTIALLY DECAYED, THOSE ROOTS ARE EXPOSED AND
ARE
21 BEING KILLED. AND SO WE THINK ALL WE HAVE TO DO
22 IS PUT ON A THICKER MULCH SO THAT DOESN'T
HAPPEN.
23 THAT MAY BE THE REASON THEY USE SUCH THICK
MULCHES
24 IN AUSTRALIA.
25 WE HAVE A TRIAL OUT THAT WE JUST
PUT

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1 OUT THIS YEAR NOW WHERE WE'RE PUTTING ON 2 FEET
OF

2 MULCH.

3 CHAIRMAN RELIS: I COULD IMAGINE,
KNOWING

4 SOME OF THOSE AREAS, COME AROUND SEPTEMBER,

5 OCTOBER WHEN THE SANTA ANA WINDS BLOW, AND
THERE'S

6 A BIG DRYING OUT, VERY PRECIPITOUS DRYING OUT,
YOU

7 COULD HAVE A BIG ROOT DIE-BACK VERY QUICKLY.

8 DR. MENGE: IT CAN. THESE ROOTS ARE

9 PRETTY TOUGH THOUGH. THEY'RE NOT LIKE SOME OF
THE

10 OTHER ROOTS THAT -- A MULCH HAS A LOT OF AIR
SPACE

11 IN IT AND DOESN'T HOLD MUCH WATER. AND YET THE

12 AVOCADO ROOTS GROW UP IN THERE AND SURVIVE VERY

13 NICELY AS LONG AS THERE'S MULCH FOR THEM TO BE
IN.

14 MUCH MORE HARDY THAN PETUNIA ROOTS OR CORN ROOTS

15 OR SOMETHING LIKE THAT.

16 AND AGAIN, THIS IS PART OF OUR

17 BIO-ENHANCEMENT PROJECT WHERE WE'RE LOOKING AT

18 ORGANISMS IN THE MULCHES AND ACTUALLY

INOCULATING

19 THE MULCHES AND PERHAPS INCREASING THE VALUE FOR
20 PEOPLE WHO WANT TO SELL THESE MULCHES IF THEY
HAVE
21 CERTAIN ORGANISMS IN THEM THAT ARE GOING TO BE
22 BENEFICIAL FOR THE CROP AND FOR CONTROLLING
23 DISEASES.
24 THIS HAPPENS TO BE A -- THIS IS
25 PHYTOPHTHORA, THE LARGE TUBES THERE THAT YOU
SEE.

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1 IF YOU LOOK CAREFULLY, YOU CAN SEE WOUND AROUND
2 THESE TUBES AND INSIDE OF THEM IS ANOTHER FUNGUS
3 THAT'S ACTUALLY KILLING AND PARASITIZING THAT
4 PHYTOPHTHORA.

5 CHAIRMAN RELIS: WOULD YOU POINT TO --

6 DR. MENGE: I DON'T THINK WE HAVE A
7 POINTER HERE. BUT IF YOU LOOK ON THE RIGHT SIDE
8 THERE, THERE'S A LARGE TUBE. INSIDE OF IT YOU SEE
9 A VERY SMALL, LOOKS LIKE A WORM INSIDE OF IT. AND
10 THAT'S THE HYPHAE OF GLIOCLADIUM. AND GLIOCLADIUM
11 CAN BE GROWN VERY NICELY ON THESE MULCHES, AND WE
12 CAN INOCULATE THE MULCHES WITH THAT PRODUCT, AND
13 ENHANCE IT. WE CALL THAT BIO-ENHANCED MULCH.

14 AND THIS IS A WOOD DECAY FUNGUS THAT
15 GROWS COMMONLY ON THE MULCH IN THE FIELD. THIS IS
16 ONE OF THE REASONS WE THINK MULCHES ARE WORKING.
17 IT'S A WOOD DECAY ORGANISM, AND YOU'VE SEEN IT
18 YOURSELF. WHEN YOU PULL THE MULCHES APART, YOU
19 SEE THESE WHITE THREADS OR LAYERS OF FUNGUS
20 GROWING IN THERE. THOSE WOOD DECAY FUNGI PRODUCE
21 ENZYMES THAT WILL ACTUALLY BREAK DOWN PHYTOPHTHORA
22 HYPHAE AND KILL THE PHYTOPHTHORA HYPHAE.

23 ON THE LEFT-HAND SIDE OF THIS SLIDE,
24 YOU CAN SEE THE WOOD DECAY FUNGUS ADVANCING. AND
25 ON RIGHT SIDE YOU SEE THE PHYTOPHTHORA. AND IN

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1 BETWEEN THERE'S THAT KIND OF ZONE, THAT KIND OF
2 DARKER ZONE, THAT'S WHERE THE PHYTOPHTHORA HYPHAE
3 IS BREAKING DOWN. AND IT'S LITERALLY BREAKING
4 DOWN AND BEING DISSOLVED BY THE DECAY FUNGUS AS IT
5 ADVANCES.

6 AND THIS IS THE PHYTOPHTHORA
7 PARASITIC ORGANISM, THE ONE THAT DAMAGES AVOCADO.
8 AND YOU SAW HYPHAE THERE. AND YOU SEE THOSE ROUND
9 BALLS THERE. THOSE ARE THE SURVIVAL STRUCTURES OF
10 PHYTOPHTHORA. THAT'S WHAT MAKES IT SO HARD TO
11 KILL.

12 AND THE SAME SLIDE WITH THE WOOD
13 DECAY FUNGUS ADVANCING. YOU SEE NONE OF THOSE
14 ROUND BALLS. YOU SEE THE HYPHAE DISSOLVING. AND
15 THAT'S THE REASON WE THINK THE MULCHES ARE SO
16 USEFUL. THEY'RE FULL OF THESE ENZYMES FROM THESE
17 WOOD DECAY ORGANISMS THAT ARE KILLING THE
18 PARASITIC PHYTOPHTHORA. AND THAT'S WHERE I'LL
19 STOP. IF THERE ARE QUESTIONS, I'LL TRY TO ANSWER.

20 CHAIRMAN RELIS: IF I COULD JUST ASK YOU.
21 WE GOT A LETTER, IT WAS ADDRESSED TO PAT PASWATER
22 IN SEPTEMBER FROM THE COUNTY OF VENTURA SOLID
23 WASTE MANAGEMENT DEPARTMENT. AND IN THIS LETTER
24 THE SUGGESTION IS MADE -- THEY'RE AWARE OF THE
25 STUDY AND THEY'RE CONSIDERING POSSIBLY

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1 PARTICIPATING. BUT THEY MAKE NOTE THAT WE HAVE A
2 LARGE CONTINGENT OF ORCHARD CROP FARMERS ALREADY
3 VERY INTERESTED IN USING MULCH IN THEIR
4 OPERATIONS, BUT THE COST OF TRANSPORTATION AND
5 APPLICATION HAVE PREVENTED GREATER DEVELOPMENT OF
6 THIS MARKET.

7 RECENTLY, AND THEY MENTION ONE
8 PARTY, HAS BEGUN PAYING LOCAL FARMERS TO ACCEPT
9 MULCH GENERATED OUTSIDE OUR COUNTY. ON THE ONE
10 HAND, THIS DOES SUCCESSFULLY GET MULCH IN THE
11 ORCHARDS, BUT ON THE OTHER IT DOES NOTHING TO GET
12 OUR LOCALLY GENERATED MULCH TO THE ORCHARDS AS
OUR
13 LOCAL PROCESSORS HAVE NOT YET BEEN ABLE TO
14 SUBSIDIZE MULCH DELIVERIES TO FARMERS.

15 NOW, MAYBE SOME OF THIS IS CITRUS
16 RELATED. I DON'T KNOW.

17 DR. MENGE: IT'S BOTH CITRUS AND
AVOCADO.

18 AND THAT BRINGS UP A POINT, AND IT'S SOMETHING WE
19 SHOULD DISCUSS, I THINK. THERE ARE PEOPLE WHO
ARE
20 GENERATING THIS YARD TRIMMING MATERIAL IN THE
L.A.
21 AREA THAT ARE PAYING FAIRLY HEAVY TIPPING FEES.

22 THEY WOULDN'T HAVE TO PAY THOSE TIPPING FEES IF
23 THEY DELIVERED IT TO THE GROWERS. GROWERS WOULD
24 BE HAPPY TO TAKE THAT MATERIAL OFF THEIR HANDS
FOR
25 NOTHING OR FOR A SMALL FEE.

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1 CHAIRMAN RELIS: DO THE GROWERS THAT YOU
2 INTERACT WITH, BECAUSE WE HAVE THIS INTERFACE
3 AGAIN BETWEEN THE WASTE SYSTEM AND THE USER, THE
4 GROWER, NORMALLY THAT WOULD GO THROUGH A TRANSFER
5 STATION OR -- AND THERE WOULD BE SOME LIMITED
6 PROCESSING, GRINDING. THEY NEED IT GROUND, DON'T
7 THEY?

8 DR. MENGE: STILL HAVE TO BE GROUND. BUT
9 EVEN THEN THERE GENERALLY IS A TIPPING FEE PAID TO
10 SOMEBODY, AND THAT COULD BE ELIMINATED TOTALLY IF
11 YOU DELIVERED IT TO GROWERS.

12 NOW, I UNDERSTAND THAT IF YOU
13 COMPOST THE MATERIAL, YOU MAKE A BETTER PRODUCT
14 AND THEN IT NEEDS -- YOU NEED TO BE PAID SOMETHING
15 FOR THAT MATERIAL. BUT THE POINT IS THAT IN MANY
16 AREAS, LIKE IN LOS ANGELES, WE CAN SAVE A LOT OF
17 MONEY FOR THE TAXPAYERS IF WE DELIVERED THE
18 MATERIAL TO THE GROWERS. AND THE GROWERS WOULD BE
19 HAPPY TO TAKE IT. EVERYBODY WOULD BENEFIT, IT
20 SEEMS TO ME, EXCEPT FOR THOSE PEOPLE WHO ARE
21 SELLING YARD TRIMMINGS.

22 NOW, OTHER AREAS WHERE THERE ARE NOT
23 FARMERS CLOSE BY AND WHERE THE TRANSPORTATION
24 COSTS ARE MUCH HIGHER, OBVIOUSLY WE'RE GOING TO
25 HAVE TO CHARGE FOR THAT MATERIAL.

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1 CHAIRMAN RELIS: IF WHAT IS SAID IS IN
2 FACT SO, AND THEN YOU HAVE AN ORGANIZATION, SAY
3 LIKE CALAVO THAT IS, WHAT, A COOPERATIVE FOR THE
4 AVOCADO GROWERS, WHICH I'M FAMILIAR WITH. CALAVO.
5 THEY PROVIDE THE PICKING SERVICE. AND I DON'T
6 KNOW WHAT OTHER SERVICES THEY PROVIDE. I GUESS
7 IT'S HARVESTING AND MARKETING FOR THE GROWERS.

8 DO THESE ASSOCIATIONS CALL ON YOU
9 FOR ADVICE THAT THEY TRANSMIT TO THE GROWERS?
10 WHAT IS YOUR WORKING RELATIONSHIP? BECAUSE I'M
11 TRYING TO GET A COUPLE OF POINTS. ONE IS THE
12 TRANSPORTATION. ONE IS THE EQUIPMENT. YOU SAID
13 YOU'RE TESTING A PIECE OF EQUIPMENT THAT SAN DIEGO
14 MAY BUY AS PART OF THIS STUDY. NOW, CALAVO OR
15 SOME OF THESE COOPERATIVE ASSOCIATIONS, COULDN'T
16 THEY OWN A PIECE OF EQUIPMENT AND MOVE IT?

17 DR. MENGE: CALAVO IS A COOPERATIVE MUCH
18 LIKE SUNKIST, AND THEY WANT TO MAKE MONEY. AND
19 THEY OFTENTIMES ARE AT ODDS WITH THE GROWER
20 ACTUALLY BECAUSE, YOU KNOW, THEY'RE CHARGING THE
21 GROWER TO HARVEST AND PICK.

22 THE AVOCADO GROUP THAT IS THE
23 FARMER
24 ORGANIZATION IS CALLED THE AVOCADO SOCIETY, AND
25 THAT'S THE GROUP THAT I'VE BEEN WORKING WITH

25 MOSTLY, AND THAT'S THE GROUP THAT IS INTERESTED
IN

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1 DOING THESE SORTS OF THINGS TO TRY TO SHOW THE
2 GROWER HOW THEY CAN MAKE MORE MONEY AND HOW THEY
3 CAN IMPROVE THEIR SOIL AND REDUCE THEIR ROOT ROT
4 AND THAT SORT OF THING. SO THAT'S THE GROUP THAT
5 WE OPERATE WITH MOSTLY.

6 CALAVO DOES SEND OUT NEWSLETTERS,
7 BUT THEY GENERALLY RESTRICT THEMSELVES TO
8 HARVESTING. AND ALTHOUGH THEY DO TALK ABOUT
9 FERTILIZATION. I'M SURE THAT WE WOULD GET
10 INVOLVED WITH THEM WHEN WE START MAKING
11 RECOMMENDATIONS AS TO HOW MUCH FERTILIZER WE CAN
12 SAVE AND SO FORTH.

13 BUT MAYBE I MISSED THE QUESTION, BUT
14 THE -- IT'S ALSO THE FARM ADVISORS, INDIVIDUAL
15 COUNTIES, THAT WOULD BE VERY, VERY USEFUL IN
16 DISTRIBUTING YOUR MULCH MATERIALS. YOU CAN -- FOR
17 INSTANCE, THE COUNTY OF LOS ANGELES COULD CONTRACT
18 OR COULD GO THROUGH THE FARM ADVISORS IN THE AREA,
19 AND THEY COULD INDICATE GROWERS THAT WOULD TAKE
20 THE MATERIAL. AND YOU COULD HAVE VERY LARGE
21 CONSIGNMENTS GOING OUT IN VERY SHORT DISTANCES TO
22 GROWERS IN THE LOCAL AREA.

23 CHAIRMAN RELIS: NOW, WOULD THIS MULCH BE
24 APPLIED YEAR-ROUND? IT WOULDN'T BE LIKE, SAY, IN
25 THE CENTRAL VALLEY WHERE YOU HAVE A FALL USE OF

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1 COMPOST AND THEN MAYBE AN EARLY SPRING USE. SO
2 THERE ARE TWO BIG SHOTS. AND SINCE GREEN WASTE IN
3 SOUTHERN CALIFORNIA IS BEING GENERATED ALL YEAR
4 ROUND.

5 DR. MENGE: THESE TREES ARE PERENNIAL.
6 WE DO NOT HAVE GOOD DATA ON WHEN IS THE BEST TIME
7 TO APPLY THEM. WE'VE BEEN APPLYING THEM MAINLY IN
8 THE WINTERTIME, BUT THERE'S INDICATIONS THAT MAYBE
9 WE SHOULD BE APPLYING THEM EARLIER IN THE FALL.

10 YOU COULD PUT THEM ON YEAR-ROUND.
11 IT'S NOT GOING TO REALLY HURT THE TREE ANY TO
12 APPLY THEM YEAR-ROUND. SO THEY'RE PERENNIAL
13 TREES. YOU CAN PUT THEM ON CONSTANTLY. AND IF
14 YOU PAY THE GROWER A SMALL TIPPING FEE, HE'D BE
15 GLAD TO TAKE THEM ALL THE TIME. WE CAN -- WE CAN
16 USE 1 TO 2 INCHES OF THE MULCH A YEAR, IT
17 DEGRADES. SO ON HIS PROPERTY, WHETHER HE'S
18 IRRIGATING, WE WOULD TURN 1 TO 2 INCHES OF MULCH
19 INTO SOIL EVERY YEAR. SO IT WOULD BE A NEVER
20 ENDING PROCESS.

21 CHAIRMAN RELIS: WELL, EXCELLENT
22 PRESENTATION. AND I'VE HAD A CHANCE TO READ THE
23 WORK STATEMENT FOR THE STUDY, AND IT LOOKS VERY,
24 VERY GOOD. THE NUMBERS CERTAINLY AS AT LEAST
25 WE'LL CALL THEM A THEORETICAL MARKET AT THIS
POINT

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1 WOULD CERTAINLY SUGGEST IT WAS ONE OF OUR MORE
2 PROMISING OPTIONS FOR MOVING LARGE QUANTITIES OF
3 MATERIAL. SO USING OUR GENERAL CRITERIA IN THE
4 MARKET DEVELOPMENT AREA, THIS WOULD HAVE A HIGH
5 PRIORITY, I WOULD THINK. AND SO THE SOONER WE GET
6 TO THIS, IN MY VIEW, THE BETTER. AND I HOPE THAT
7 YOU WILL COME BACK PERIODICALLY AND REPORT ON THE
8 PROGRESS.

9 MEMBER CHESBRO: ONE OTHER THING I WAS
10 GOING TO ASK, AND THAT IS YOU MENTIONED THE
11 INOCULATED MULCH. IS THAT -- SINCE JUST THE PLAIN
12 MULCH HASN'T PROVEN TO HAVE GREAT POTENTIAL FOR
13 THE CITRUS, DO YOU SEE THAT DEVELOPING AS A
14 POTENTIAL PRODUCT THAT FOR CITRUS COULD ALSO
15 ABSORB A SIGNIFICANT WITH THAT VALUE ADDED OF THE
16 INOCULANT THAT THEN MAKES IT SOMETHING THAT WOULD
17 PROVIDE A SIMILAR FUNCTION FOR THE CITRUS THAT THE
18 UNTREATED OR UNINOCULATED MULCH PROVIDES FOR THE
19 AVOCADO?

20 DR. MENGE: WELL, WE HAVE TWO TRIALS OUT
21 RIGHT NOW. WE'RE TESTING THAT. AND WE'RE ADDING
22 THESE CROP CONTROL ALTERNATIVES, AND WE SHOULD
23 HAVE DATA WITHIN A YEAR OR TWO TO ANSWER THAT
24 QUESTION.

25 MEMBER CHESBRO: WE FOCUSED HERE TODAY ON

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1 WHAT IT'S NOT DOING FOR THE ORANGES, BUT IT SEEMS
2 TO ME THAT IF YOU ARE ABLE TO DEMONSTRATE THAT
3 WITH SOME VALUE ADDED MATERIAL LIKE THE INOCULANT,
4 IT SUITS THE SAME FUNCTION. I DON'T KNOW HOW MUCH
5 MORE THAT ADDS TO THE COST, BUT WE COULD, IN FACT,
6 EXPERIENCE THE BENEFIT FOR CITRUS JUST AS YOU
7 ANTICIPATE IS GOING TO HAPPEN FOR AVOCADO.

8 DR. MENGE: ESPECIALLY IF WE GET THE
9 RIGHT BIOCONTROL AGENT. I THINK THAT'S THE REAL
10 PROCESS. IF WE CAN GET THE BIOCONTROL AGENT THAT
11 WILL GIVE US HIGH DEGREE OF CONTROL, THERE'S NO
12 QUESTION THAT THEY'LL USE IT THEN.

13 CHAIRMAN RELIS: AND YOU'RE ALSO, IF I
14 UNDERSTAND, YOU'RE LOOKING AT COMPOST AS WELL --

15 DR. MENGE: RIGHT.

16 CHAIRMAN RELIS: -- FOR YOUR CITRUS WORK.

17 DR. MENGE: THE NEW PROPOSAL THERE, WHAT
18 WE'RE GOING TO DO IS COMPARE COMPOSTING MATERIAL
19 VERSUS THE RAW MATERIAL. AND THAT WILL BE THE --
20 AND A CONTROL, OF COURSE, SO THERE WILL BE THREE
21 POSSIBLE COMBINATIONS.

22 CHAIRMAN RELIS: WELL, IN CLOSING, I
23 WOULD JUST LIKE TO POINT OUT THAT WHAT WE HAVE
24 HERE WITH THIS PROJECT IS PRECISELY THE KIND OF
25 PARTNERSHIP RELATIONSHIP, I THINK, THAT WAS

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1 ENVISIONED IN AB 939, THAT WE HAVE A SHARED
2 RESPONSIBILITY IN IMPLEMENTING THIS LAW WITH LOCAL
3 GOVERNMENT. AND IN THIS CASE WE'VE REALIZED THAT
4 SHARED RESPONSIBILITY BY ENGAGING OUR LOCAL
5 GOVERNMENT PARTNERS IN BOTH AN ONGOING COMMITMENT
6 TO BE INVOLVED, AS WELL AS A FINANCIAL COMMITMENT.

7 AND I THINK THIS REALLY COULD BE
8 USED AS A FRAMEWORK ON WHICH WE WOULD BUILD
9 SIMILAR PARTNERSHIPS ON DIFFERENT MATERIALS. I
10 MEAN THIS WORKS FOR CERTAIN JURISDICTIONS, AND
11 THERE'S NO REASON WHY, AND ESPECIALLY GIVEN OUR
12 LIMITED RESOURCES, IT'S A NECESSITY, I BELIEVE,
13 THAT WE WORK IN THIS WAY. AND IT'S GREAT TO BE
14 PARTNERING UP WITH THE UNIVERSITY ONCE AGAIN
15 BECAUSE IT IS OUR PREMIERE RESEARCH INSTITUTION IN
16 CALIFORNIA. IT'S WORLD RENOWN FOR ITS WORK, AND I
17 REALLY APPRECIATE YOUR COMING FORWARD ON THIS AND
18 HAVING THE CHANCE TO HAVE THE STATE OF CALIFORNIA
19 BENEFIT FROM THE RESEARCH ACTIVITIES OF THE
20 UNIVERSITY.

21 DR. MENGE: THANK YOU VERY MUCH.

22 MEMBER CHESBRO: CAN I MAKE ONE COMMENT.
23 IN ADDITION TO THAT, THE -- I THINK THE UC IS ONE
24 OF THE FEW AREAS OF GOVERNMENT THAT FARMERS VIEW
25 AS PROVIDING HELP AS OPPOSED TO HINDRANCE. AND SO

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1 I THINK THAT RELATIONSHIP IS THE CREDIBILITY THAT
2 THE UC SYSTEM BRINGS TO THE AG COMMUNITY IS PRETTY
3 CRUCIAL TOO. I DON'T THINK THAT WE CAN BREAK
4 THROUGH ON OUR OWN. IF WE CAN FIND SOMEONE TO DO
5 THE RESEARCH WITHOUT THAT EXISTING CREDIBILITY.

6 THIS IS ALSO SIGNIFICANT BECAUSE THE
7 PREVIOUS PROJECTS WE HAD DONE WERE PRIMARILY IN
8 NORTHERN CALIFORNIA, WHICH REALLY ASSISTS THE
9 LOCAL GOVERNMENTS OF THE NORTH, BUT I THINK THIS
10 IS A STEP INTO TRYING TO ADDRESS A REAL THORNY
11 PROBLEM OF HOW DO WE TAKE CARE OF THE ORGANIC
12 WASTE FOR SOUTHERN CALIFORNIA WHICH -- WHERE
13 SITING COMPOSTING FACILITIES IS DIFFICULT,
14 DISTANCE TO AGRICULTURE IS GENERALLY FURTHER THAN
15 IT IS FOR THE NORTHERN CALIFORNIA, BAY AREA
16 CITIES, AND CITIES HERE IN THE VALLEY.

17 THE ONLY OTHER THING I WANT TO
18 MENTION, AND THIS MAY BE WISHFUL THINKING GIVEN
19 THE BUDGETARY CONSTRAINTS, BUT WHEN I FIRST BEGAN
20 TO TALK TO YOU, PAUL, ABOUT TRYING TO DO MORE IN
21 SOUTHERN CALIFORNIA, AND YOU AGREED VERY STRONGLY,
22 THE OTHER AREA THAT WAS MENTIONED THAT IF WE HAD
23 FURTHER MONEY IN THE FUTURE, I WANTED US TO KEEP
24 ON THE BACK BURNER READY TO PROCEED WITH IS WE
25 ALSO HAVE THE WHOLE ROW CROP INDUSTRY IN THE

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1 SOUTHEAST CORNER OF THE STATE IN THE IMPERIAL AND
2 COACHELLA VALLEYS THAT OUGHT TO BE -- IT SEEMS TO
3 ME IS THE ONE MAJOR AGRICULTURAL AREA THAT WE HAVE
4 YET TO REALLY PENETRATE YET WITH THIS CONCEPT.

5 AND SO I WOULD SAY TO KEEP ON THE
6 CONTRACT CONCEPT, IF THERE EVER IS SUCH ANOTHER
7 THING IN OUR BUDGET, NEW CONTRACTS, THAT WOULD BE
8 THE ADDITIONAL AREA I WOULD SEE FOR US TO EXPAND
9 INTO. BUT I THINK THAT WHAT WE'RE DOING HERE IS
10 REALLY IS A BIG STEP FORWARD, AND I'M GLAD WE'RE
11 ABLE TO PARTNER WITH YOU, DOCTOR.

12 CHAIRMAN RELIS: THANK YOU VERY MUCH.
13 THAT CONCLUDES OUR BUSINESS TODAY. WHEN'S OUR
14 NEXT MEETING? OH, WELL, WORRY ABOUT THAT LATER.
15 THANK YOU.

16

17 (END OF PROCEEDINGS AT 11:50 A.M.)

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